Doing Business in South Africa: 2008 Country Commercial Guide for U.S. Companies

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Chapter 1: Doing Business in South Africa

Market Overview

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Welcome to the South Africa Country Commercial Guide (CCG). This guide presents a comprehensive look at South Africa's commercial environment, using economic, political and market analysis.

South Africa is a country of 44 million people that is rich in diverse cultures, people and natural heritage. Enjoying remarkable macroeconomic stability and a pro-business environment, South Africa is a logical and attractive choice for U.S. companies to enter the African continent. It is the most advanced, broad-based and productive economy in Africa, with a 2006 gross domestic product (GDP) of $587.5 billion and a real growth rate of approximately 5 percent.

The South African economy is characterized by standards similar to those found in developed countries. Its service sector is well established and growing and the economy is increasingly well managed with slow but steady industrial productivity gains. It has a well-developed physical infrastructure that is comparable to OECD standards. It boasts a sophisticated financial sector with well-developed financial institutions and a stock exchange (the JSE) that ranks among the top exchanges in the world. South Africa is a vast country covering 1,219,912 square kilometers and it is the world's largest producer of gold, platinum, vanadium, chromium and manganese. Recently, South Africa has seen rapid increases in both inbound and outbound Foreign Direct Investment (FDI).

Some quick facts regarding South Africa's economy and its foreign trade:

- The United States is the third largest source of South African imports (9.4%), after Germany (17.1%) and China (10.2%), and it is followed by Japan (8.5%) Saudi Arabia (6.6%) United Kingdom (6.6%) and France (5.2%)
- U.S. exports rose 14 % in 2006. In the first ten months of 2007, U.S. exports climbed another 25 % compared to the same period in 2006.
- The United States is the largest portfolio investor in South Africa and the second largest source of foreign direct investment (FDI) in South Africa, after the U.K. (Total U.S. FDI is $5 billion with total FDI in South Africa at the end of 2005 amounting to $ 76.9 billion.

- The mature nature of the South African economy is reflected in the mix of economic sectors: agriculture (incl. fishing and mining): 9%, manufacturing industry: 24%; and the services sector: 66%.
- The national retail consumption patterns reflect the disparate nature of the economic status of its citizens, ranging from basic needs (e.g., condensed milk) to high-end durable consumer goods (e.g., SUV's).

Over the past five years, South Africa has further integrated into the global trading system by negotiating free trade agreements with the European Union, with its neighbors in the Southern African Development Community (SADC), the European Free Trade Association and Mercosur. The Southern African Customs Union (SACU) agreement with Botswana, Namibia, Lesotho, and Swaziland, first entered into in 1910, has also been renegotiated and ratified by all members. With the passage of the African Growth and Opportunity Act (AGOA) – providing duty-free access to the U.S. market for all African countries - there has been an increase in bilateral trade between the United States and South Africa. The United States is currently negotiating a Trade, Investment and Development Cooperation Agreement (TIDCA) with SACU.

GDP grew from 4.7 percent in 2005 to 5.1 percent in 2006. Robust government expenditure on infrastructure led to sustained economic growth of around 5 percent in 2007 and these general trends are expected to continue in 2008. But, inflation has risen above the South African Reserve Bank's managed target range of 3 and 6 percent to record a rate of 8-9 percent. Increasing interest rates are beginning to weaken business and consumer confidence. At the same time, structural reforms in general have increased the economy's diversification and openness, bolstering its resilience to external shocks. Thanks to a surprisingly stable Rand (2007 average exchange rate was Rand 7.05 to the U.S. Dollar), the South African economy in 2007 was left largely unscathed by a large (8 percent of GDP) current account deficit.

Thirteen years after the watershed 1994 democratic elections, South Africa continues to maintain a stable political environment. This underpins the government's market-oriented economic policies and its steady progress towards restructuring state assets and introducing competition for state-owned enterprises (SOE's).

Market Challenges

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U.S. firms entering this market must contend with a typically mature market with well-established, mainly European competition. A trade agreement with the European Union enables many European products to enter South Africa duty free and at lower rates than U.S. products. It is a very competitive market. Newly formed Broad-Based Black Economic Empowerment (BEE) policies on redressing economic imbalances amongst historically disadvantaged communities require consideration by all firms planning to do business with the South African government – and increasingly, with the general business community also.

Although unemployment remains high, skilled labor may be difficult to find in certain sectors. U.S. firms should be aware that crime against business is a concern and should be addressed in market planning. High telecommunications costs and high security costs do add to the cost of doing business in South Africa.

Market Opportunities Return to top

Opportunities for U.S. exporters and investors in South Africa reflect the growth of its consumer base and its efforts to upgrade and develop its infrastructure to match and further fuel its economic growth.

Factors benefiting U.S. exporters include:

- A stable currency that has recovered since the crash in 2001;
- U.S. branded goods continue to gain market share;
- South African Government-owned utilities such as Eskom (electric power) and Transnet (transportation) have formalized capital expenditure plans for over $50 billion over the next five years; and
- The awarding to South Africa of the 2010 FIFA World Cup Soccer championship has resulted in over $2 billion in improvements and investment in sporting facilities and other infrastructure.

In general, the best prospects for exports are in capital goods, though opportunity exists in a wide range of consumer products and services as well. Of particular note are:

- Electrical Power Systems;
- Telecommunication Services;
- Aviation;
- Automotive Parts/Service Equipment;
- Transportation, Infrastructure and Civil Construction;
- Franchising;
- Alternative Energy;
- Safety/Security Equipment;
- Pollution Control Equipment;
- Mining Equipment;
- Medical Equipment;
- Telecommunications Equipment; and
- Information Technology.

Market Entry Strategy Return to top

Because the South African market is sophisticated, entry should be well planned and should take into consideration the following factors:

- The skewed demographic income distribution pattern, where ten percent of the population earns 45 percent of national income;

- The price sensitive nature of the majority of consumer demand;
- Distribution issues given that the large retail centers are spread over only five metropolitan regions;
- A judicious selection of one of three low-risk entry strategies: representation, agency or distributorship (Note: if you are selling to the government or government funded organizations, any local partner should be BEE compliant);
- The entrenched bias of a conservative market that sticks to known suppliers and therefore requires sustained market development; and
- South Africa's position as the pre-eminent stepping-stone for developing most sectors in sub-Saharan Africa: the marketing mix should anticipate this medium-term option.

In addition to this Country Commercial Guide, the Commercial Service offices in Cape Town and Johannesburg offer many services designed to assist you in developing your market entry strategy and to facilitate your export experience in South Africa. For a detailed description of these services please visit:

http://www.buyusa.gov/southafrica/en/servicestouscompanies.html

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Chapter 2: Political and Economic Environment

For background information on the political and economic environment of the country, please click on the link below to the U.S. Department of State Background Notes.

http://www.state.gov/r/pa/ei/bgn/2898.htm

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Chapter 3: Selling U.S. Products and Services

Using an Agent or Distributor

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One of the first steps that an exporter may wish to take in locating an agent or distributor in South Africa is to contact the U.S. Department of Commerce and register for one of the many services specifically designed to meet the needs of U.S. client companies. South Africa offers foreign suppliers a wide variety of methods to distribute and sell their products, including using an agent (also known as a Commission Sales Representative or CSR) or distributor. A link to details of these services is available at the end of this section.

In South Africa, the terms "Agent" and "Distributor" have a very specific meaning: Agents work on a commission basis after obtaining orders from customers; distributors buy, carry stock and sell products directly to customers. Agents often distribute durable and non-durable consumer goods, as well as some industrial raw materials. They may be particularly appropriate when products are highly competitive and lack a large market. It is common to appoint a single agent capable of providing national coverage either through one office or a network of branch offices. In addition to their role as the local representatives of U.S. exporters, agents should be able to handle the necessary customs clearances, port and rail charges, documentation, warehousing, and financing arrangements.

Local agents representing foreign exporters, manufacturers, shippers, or other principals outside South Africa who export goods to South Africa, are fully liable, under South African import control law, for all regulations and controls which are imposed on the foreign exporters. Local agents are required to register with the Director of Import and Export Control of the Department of Trade and Industry. It is important for a U.S. exporter to maintain close contact with the local agent to track changes in importing procedures and to ensure that the agent is effectively representing the sales interest of the exporter.

Typical commission rates for CSR's in South Africa depend upon the contract concluded and upon the representative's responsibility. This can range from 3 to 25 percent commission per concluded transaction. Companies sometimes pay a retainer fee plus costs plus an incentive scale on deals.

Distributors who buy for their own account and carry a wide range of spares often best handle capital equipment and commodities such as chemicals, pharmaceuticals, and brand new products on an exclusive basis. Leading distributors often have branches throughout South Africa and sell to both wholesalers and retailers. In some cases, the distributor is also the principal with sub-agents or a major user of the products. When appointing a South African distributor, U.S. exporters should take care to find out if the distributor handles a competing product. It has happened that major South African corporations whose holding companies market products competing directly with U.S. products have approached some U.S. exporters.

In South Africa's competitive marketplace, it is essential that the U.S. exporter provide adequate servicing, spare parts, and components, as well as qualified personnel capable of handling service inquiries. In most cases, after-sales service should be available locally since potential delays often lead purchasers to seek alternative suppliers.

The U.S. Commercial Service has found that the most successful ventures entered into by U.S. companies are those where there has been thorough market research prior to engaging in a search for agents or distributors. Once contacts are established, it is often advisable to visit South Africa since firsthand knowledge of the market and society is an advantage. Such a visit provides an opportunity for a personal appraisal of the prospective agent or distributor. U.S. exporters should carefully investigate the reputation and financial references of a potential agent or distributor and establish a clear agreement delineating the responsibilities of both the exporter and the agent.

The Commercial Service in South Africa offers a number of business facilitation services, including market research, appointment setting and background checks on potential business partners. For a full list of the services offered please visit:

http://www.buyusa.gov/southafrica/en/servicestouscompanies.html

For additional information, please e-mail the U.S. Commercial Service office at: Johannesburg.office.box@mail.doc.gov

Establishing an Office

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The Companies Act of 1973, which is administered by the Registrar of Companies, regulates the formation, conduct of affairs and liquidation of all companies. The Act makes no distinction between locally owned or foreign-owned companies. Companies may be either private or public. Foreign companies establishing subsidiaries in South Africa must register the subsidiary in accordance with the Act.

Foreign companies may establish a local branch office in South Africa by registering the branch as an "external company" with the Registrar of Companies. Any nonresident or foreign company must register within 21 days of establishing an office in South Africa. Government approval is not required for registration and there is no requirement that a percentage of share capital be held locally. The branch company, within six months after the end of its financial year, must file annual financial statements with the Registrar. Branch profits remitted to a foreign firm's headquarters are not subject to withholding tax. The legal liabilities of a branch are not limited to only its South African assets.

There are three forms of business enterprises in South Africa: Private Companies (Pty), Public Companies (Ltd) and Close Corporations (CC). Each has its own set-up and reporting requirements as detailed below.

Private Companies:

A locally registered private company, identified by the words "Proprietary Limited" (Pty) in its title, is a form commonly used to carry on operations as a subsidiary of another, foreign company. Private companies may have up to 50 shareholders, but cannot offer shares to the public or transfer them and are not required to have a minimum subscription. Private directors need not lodge a written consent with the Registrar and they need not be South African nationals or residents of South Africa. The registration of a company is established by filing the following information with the Registrar of Companies: a certified copy of the Memorandum and Articles of Association; the registered address; the name and address of the company's local auditor; and a share capital duty receipt. Private companies are not subject to the statutory meeting and reports requirements of public companies and do not have to lodge their annual financial statements with the Registrar.

Public Companies:

Public companies, designated by the word “Limited” or letters "Ltd" in the title, are formed to raise funds by offering shares to the public; therefore, there is no limit on the number of shareholders in a public company. Public companies are required to file annual financial statements and reports with the Registrar of Companies. For public companies that issue a prospectus, proof must be submitted to the Registrar that each director has paid full price for the shares and the number of shares issued equals the stated minimum subscription. For public companies with share capital, the following must be forwarded to the Registrar: a director's statement that capital is adequate for business operation; particulars of the directors and officers; and proof that the annual duty has been paid. A public company may not commence operations prior to receipt of the Registrar's certification.

Close Corporations:

Close corporations, designated by the letters "CC" after their names, are a form of business organization unique to South Africa. They can only be organized by natural citizens of South Africa and are limited to a maximum of ten persons. Close corporations are subject to fewer registration and operating regulations than companies and have been instrumental in encouraging a low-entry threshold entrepreneurial culture in South Africa. This form of legal person is currently under review and may be changed during the course of 2008.

For more information on company formation and registration contact:

Companies and International Property Registration Office (CIPRO)
Postal Address: PO Box 429, Pretoria, 0001
Physical Address: The DTI Campus, Block F, 77 Meintjies Street, Sunnyside, Pretoria
Tel: +27 (0)11 394 9500; Fax: +27 (0)11 394 9501
Email Address: contactcentre@cipro.gov.za
Website: http://www.cipro.co.za

Franchising Return to top

Recent years have seen the popularity of franchising increase significantly, emerging in South Africa as an effective way to conduct and grow successful businesses. Franchising also plays an important role in furthering the development of small and medium businesses. Job creation, poverty alleviation, economic growth and empowerment of historically disadvantaged groups rank high on the South African government's agenda. Franchising, with its advantages of skill transfer, start-up support and ongoing operational assistance, is becoming a preferred type of business to address these areas. Business format franchising, in particular, is a proven concept offering potential opportunities for interested firms.

More information about this sector of the South African economy can be found in Chapter Four within the Franchising sub-section.

Additional information can be found at:

Franchise Association of Southern Africa (FASA)

Postnet 256, Private Bag X4, Bedfordview, 2008

Tel: +27 (0) 11 615 0359; Fax: +27 (0)11 615 3679
Ms. Vera Velasis, Executive Director
Email: fasa@fasa.co.za
Website: http://www.fasa.co.za/

Direct Marketing Return to top

Assuring alignment to industry regulations, particularly those regarding BEE, when choosing an advertising or marketing partner to open the South African market, will be crucial in the future. Direct marketing is expected to grow over the next ten years, as long as marketing plans include strong emphasis on clear cut information campaigns, almost intended to pre-empt consumer questions and introduce appropriate solutions all in one effective customized direct marketing package.

Direct marketing channels in South Africa include:

- Direct e-mail selling - such as Internet viral campaigns (where one email user nominates “friends” to participate in a promotional campaign and to his/her own benefit hands over the email addresses of friends and colleagues);
- Direct selling channels - such as the independent agent or distributor system; and
- Internet marketing – which has also grown rapidly as more South African consumers are now feeling comfortable about handing over banking details and ordering from non-‘brick and-mortar’ companies.

Joint Ventures/Licensing Return to top

When a company is interested in entering into a foreign licensing agreement to manufacture a product in South Africa, the South African licensee must submit an application to the Industrial Development Branch of the Department of Trade and Industry. The Department of Trade and Industry, in turn, will make a recommendation to the South African Reserve Bank (SARB). Exchange control regulations stipulate that SARB’s Exchange Control Section must approve the payment of royalties. When a licensing agreement involves no manufacturing, the request for exchange control approval is sent directly to SARB.

Royalty fees are based on a percentage of total ex-factory sales, with a maximum of four percent for consumer goods and six percent for intermediate and final capital goods. Down payments will not be approved unless actual costs of transferring tangible technology items are incurred. Minimum or annual payments are not acceptable to the SARB. Exchange approval will normally be granted for an initial period of five years. Contract conditions involving obligatory purchasing and pricing agreements or requiring the licensee to sole source articles from the licensor are prohibited.

Additional information on licensing regulations can be obtained from:

Department of Trade and Industry
Directorate: Licensing
Private Bag X84, Pretoria, 0001
Tel: +27 (12) 394 9500; Fax +27 (12) 394 9501
Website: http://www.dti.gov.za/

Selling to the Government Return to top

Government purchasing is a significant factor in the South African economy. Nearly all such purchasing (at all three levels of government) is done through competitive bidding on invitations for tenders, which are published in an official state publication, the State Tender Bulletin (http://www.dti.gov.za/tender/bulletins.htm), and sometimes in leading newspapers. Although the purchasing procedures of the central government and semi-state institutions favor products of local manufacturers, an overseas firm is not precluded from bidding if the firm has an agent in South Africa to act on its behalf. As a general practice, payment is made to the local agent.

Central Government Procurement

South Africa has changed its government procurement to a “Supply Chain Management” process in order to streamline the buying procedures of national, provincial, local, and state-owned companies. As part of the Public Finance Management Act Regulations of 1999, procurement accountability has now devolved to “accounting officers”. Depending on their level of responsibility, the accounting officers are allowed to approve government purchases up to a certain amount.

The basic principles for government procurement in South Africa, in terms of socio-economic objectives, are set out in the Constitution: procurement by an organ of State or any other institution identified in national legislation must, on the one hand, be "in accordance with a system which is fair, equitable, transparent, competitive and cost-effective," and, on the other hand, allow for categories of preference and the protection, or advancement, of persons disadvantaged by unfair discrimination, within a framework national legislation. Other principles on which procurement must be based in South Africa are accountability and the just-in-time (JIT) delivery principle.

Purchases are generally by competitive tender for project, supply and other contracts. Bidders generally need not pre-qualify, but the ability of bidders to supply goods or render a service generally is examined. Foreign firms can bid through a local agent. The due date for a bid is usually at least twenty-one days from the publication of the notice. As a general practice, however, a lead-time of thirty to forty-five days is allowed. Bids for government tenders must be on a basis of all costs included to the specified delivery point. Bids on tenders are to be addressed as indicated in the tender document and must be lodged in a sealed envelope with the tender number, due date and name and address of the tender on the outside.

Black Economic Empowerment (BEE)

A pivotal consideration with the government and semi-state procurement process is that manufacturers or suppliers to government qualify as BEE (Black Economic Empowered) partners. These criteria aim to quantify the contribution by these partnerships to empower previously disadvantaged individuals (i.e., those whose racial/ethnic original is described by the South African terms “Black”, ”Coloured,” and “Indian”) according to a varying mix of the following parameters:

- Black Ownership
- Black Management
- Percentage of Black Skilled Personnel
- Procurement from Black/BEE suppliers
- Skills Development Initiatives
- Other BEE Initiatives (e.g., social responsibility)
- Enterprise Development initiatives for Black businesses

Note that in BEE legislation, the term “Black” is used generically to refer to South African citizens of the following racial/ethnic groups: Blacks (those whose ancestry is exclusively/almost exclusively African), “Coloureds” (those of mixed European/African or

European/Asian origin), or Indians (those whose ancestry originates in the Indian sub-continent).

In January 2004, President Mbeki signed into law the Broad-Based Black Economic Empowerment Act of 2003, the legislation enacting the BEE strategy. The Act directed the Minister of Trade and Industry to develop a national strategy for BEE, issue BEE implementing guidelines in the form of Codes of Good Practice, encourage the development of industry specific charters, and establish a National BEE Advisory Council to review progress in achieving BEE objectives. While firms are not legally required to meet BEE criteria, in practice they are less competitive if they do not.

BEE Codes of Good Practice and other pertinent legislation may be found on DTI's website: http://www.dti.gov.za/bee/codes2005.htm

Public Private Partnerships (PPP):

Closely linked to BEE, is the increasing attention that the South African Government and its parastatals (semi-state organizations) are giving to Public Private Partnerships (PPP). This mode of outsourcing operational responsibility seems set to become a preferred alternative to government procurement. It allows primarily for a variety of leasing options, but also for buying a service from a private entity. This mode of business implies less risk for government due to a significantly reduced capital investment requirement, and a predictable expenditure model (linked to the fee structure payable to the service provider) while at the same time allowing BEE entities to benefit from traditional government operations.

The South African Department of Finance (Treasury) administers the government procurement process.

South African National Treasury
PPP Unit
Private Bag X115, Pretoria, 0001
Tel: +27 (0)12 315 5741
Website: http://www.treasury.gov.za

Offsets and Counter-Trade:

South Africa has an Industrial Participation Program (IPP), which mandates a counter-trade/offset package for all state and parastatal purchases of goods, services, and lease contracts in excess of $10 million. Under the program, all bidders on government and parastatal contracts who exceed the imported content threshold must also submit an Industrial Participation package worth 30 percent of the imported content value. The bidder then has seven years to discharge the Industrial Participation obligation. Non-performance of the contract is subject to a penalty of five percent of the outstanding Industrial Participation obligation. These IPP requirements are issued with the tender documentation of all government and parastatal tenders and are overseen by the Industrial Participation Secretariat of the Department of Trade and Industry.

Parastatals (Semi-State Organizations):

Parastatals, local authorities, and major private buyers such as the mining houses must follow similar practices to the central government. Parastatal procurement is guided by and bound to the schedule of local content preference. Local government purchases are increasingly significant and also involve overseas bidding. With the establishment of nine new provincial governments in South Africa, the prospects for additional government procurement below the central government-level are significant, even though strict budgetary restraints are in place.

Distribution and Sales Channels Return to top

Approximately 90 percent of South Africa's economically active population is found in areas surrounding the cities of Johannesburg, Cape Town, Durban, Pretoria and Port Elizabeth, which represent the country's major areas of economic activity and consumer markets.

The distribution chain within a given industry varies, depending on the nature and type of equipment and/or products being imported. Consumer-oriented products, for example, are distributed by local subsidiaries or joint-venture partners to a fixed number of distributors who sell to wholesalers and/or retailers who in turn sell to end-users. There may be more intermediaries within the chain, depending on the arrangement worked out by the original equipment manufacturer (OEM).

In South Africa, each industry sector has but a handful of major distributors, but often hundreds of small players. Major players prefer an exclusive agent/distributor agreement with the foreign firm. Most South African imports are handled through the country's largest airport in Johannesburg or through one of three of the country's ports: Durban, Cape Town and Port Elizabeth.

Major distribution points:

- Johannesburg

The city of Johannesburg is the commercial and financial hub of South Africa. As the country's transportation hub, it is the center for all rail and road connections and has the country's major international airport, which handles 22 million passengers and 300,000 metric tons of cargo annually. The headquarters of the National Ports Authority of South Africa (NPA) is also located in Johannesburg.

Johannesburg is one of the world's few major cities located on neither the ocean nor a major river. Yet, ironically, it hosts the largest and busiest "port" in Africa, an export-import freight container terminal called City Deep, which handles 30 percent of South Africa's exports.

- Durban

Durban is the busiest ocean port in Africa and its Durban Container Terminal is the largest and best-equipped container terminal in the southern hemisphere. Durban's location on the eastern coast of South Africa makes the terminal a pivotal hub for the entire Southern African region of the Indian and South Atlantic Oceans – serving trade routes linking North and South America with the Middle East, India, Asia and Australia. The terminal also serves as a crucial interface for the distribution of cargoes between ocean carriers and the markets of South Africa, Botswana, Zimbabwe, Zambia and Zaire. On the landside, there is direct connection with surface transport via rail sidings and also speedy connection to South Africa's trunk road network. The facility handles in excess of 4,000 ships annually, with an estimated gross tonnage of 81,700,000. Containers handled at Durban port represent 64 percent of the total number of containers handled at South African ports.

- Cape Town

Cape Town (located at the southern-most point of Africa) is ideally positioned as a hub terminal for cargo to South America and the Far East. West/East Africa cargo has grown substantially making the Cape Town Container Terminal the terminal of choice for trans-shipment cargo. The terminal currently handles 3,161 vessels per year for a gross tonnage of 44,501,297.

- Port Elizabeth

The Port Elizabeth Container Terminal is one of the three specialized container-handling facilities along the South African coastline. It serves the immediate area of the Eastern Cape where its main business focuses on the needs and requirements of the motor vehicle and components industry as well as various agricultural products. The terminal offers value-added services in the form of storage, packing and unpacking of containers and logistics management. The Terminal currently handles 1,271 ships with a total gross tonnage of 25,756,823.

Selling Factors/Techniques

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New products entering the South African market require extensive market research and mass advertising to identify potential customers' buying patterns and preferences. This applies particularly to unknown brand names, as South Africans are very brand conscious.

One way of launching a new product in South Africa is by exhibiting at a trade show. Promotional "give-aways" are also very popular. An editorial and/or advertisement in a specialized trade publication will also enhance awareness of the product. Although South Africa has eleven official languages, promotional material is typically printed in English.

Direct selling has certainly found a niche market in South Africa. Directly selling products to individuals on a personal one-on-one basis by freelance agents is fast becoming a multi-million dollar industry in South Africa. Examples of products sold in this way include costume jewelry, plastic containers, lingerie & personal products and personal health & herbal type products.

Electronic Commerce Return to top

Consumer response to electronic commerce has increased. While acceptance of B2C interaction has grown, South Africans still primarily use websites for information gathering rather than purchasing. South Africa still faces prohibitive cost structures in terms of ADSL and wireless Internet connection and this has slowed the general migration to e-commerce.

There is something of a trend towards cell phones replacing wallets, as banks, card operators, retailers and communications companies provide alternatives to cash as a means of payment. M-commerce, where cell phones are used to pay for goods and services, has advanced beyond mobile banking to debit and credit transactions. M-commerce is particularly attractive in Africa due to the rapid increase in the number of cell phones and the limited access to the Internet, and poor fixed-line infrastructure. Proponents of M-Commerce claim it is more secure than Internet commerce, but the public concerns regarding M-commerce center primarily around complexity and security.

Trade Promotion and Advertising Return to top

South Africa has a sophisticated advertising industry. Advertising agencies provide a full range of services and the majority of the larger agencies are subsidiaries of prominent international agency groups. Major media outlets include television, radio, newspapers and magazines, outdoor advertisements, cinema and the Internet. The deregulation of the airwaves has introduced more competition through a further independent television channel and independent radio stations.

The key figures in South Africa's advertising industry are the Association for Communication and Advertising (ACA) (www.acasa.co.za); the two major media bodies, the National Association of Broadcasters (NAB) (www.nab.org.za) and the Print Media Association (PMA) (www.printmedia.org.za); and finally the Advertising Standards Authority of South Africa (ASA), which regulates South African advertising standards.

Advertising agencies in South Africa are no longer solely remunerated by clients on a commission system. Fee arrangements are becoming increasingly common and specialist media buying companies are taking a growing market share of media purchases in South Africa. Customarily, the various media offer 16.5 percent commission to recognized advertising agencies provided payment is made within the stipulated 45-day period.

Additional information can be obtained from the following association.

Advertising Standards Authority
Willowview, Burnside Island Office Park
410 Jan Smuts Avenue, Craighall Park, Johannesburg
Tel: +27 (0)11 781 2006; Fax: +27 (0)11 781 1616
Email: Leon@asasa.org.za
Website: http://www.asasa.org.za

Names and addresses of major advertising agents, newspapers, magazines, market research companies, and public relations consultants along with their current rates, can be found in the Advertising and Press Annual of South Africa available from:

The National Publishing Company (Pty) Ltd.
IHS South Africa
Managing Director Tim Gray
PO Box 8147, Johannesburg, 2000
Tel: +27 (0)11 835 2221; Fax: +27 (0)11 835 2631
Email: natpub@lia.co.za
Website: http://www.natpub.co.za

Several trade exhibition firms operate in South Africa. The Exhibition Association of Southern Africa (EXSA) provides an overview of exhibitions and trade shows being held in South Africa and can be found at: http://www.exsa.co.za. You can also visit the Commercial Service South Africa's website at http://www.buyusa.gov/southafrica/ for links to upcoming trade events and business service providers.

Pricing

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Prices are generally market-determined, with the exception of petroleum products, certain agricultural goods and prices administered by parastatals (government owned firms) such as the South African Post Office and Eskom (government power/electricity provider). Provisions of the Sales and Service Matters Act set marking requirements and stipulate that prices cannot be evaded through auction sales. The Act also requires that persons offering goods or services for resale keep and retain records for possible recall, indicating purchase costs, manufacturing costs, and selling prices. Changes in the fixed prices are published in the South African Government Gazette.

South Africa applies a 14 percent Value Added Tax (VAT) (as opposed to General Sales Tax (GST)) on all goods and services, except for some basic staple diet items. Exports are zero-rated and no VAT is payable on imported capital goods. In Industrial Development Zones (IDZ) there is a VAT suspension on imports and exports, provided the finished product is exported. The South African Revenue Service (SARS), a division of the South African Department of Finance/Treasury, administers the VAT:

SARS
Private Bag X923 or P.O. Box 402, Pretoria, 0001
Tel: +27 (0)12 422 4000; Fax: +27 (0)12 422 5181
Website: www.sars.gov.za

Sales Service/Customer Support

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In the South African consumer market after-sales service is extremely important, especially in terms of providing technical and spare part services to prospective clients. Many South African consumers will base purchasing decisions on the prospective after-sales service for their products, especially in high-end luxury goods such as electronic equipment. Appointing a central distributor that stocks spare parts and provides maintenance and repair service is advisable for existing brands and new brands breaking into the market. As the South African market has opened up and become more competitive, South African consumers have become more and more concerned about quality and after-sale service. Foreign companies that bring strong customer support systems to this market will find themselves with a competitive edge.

Consumers may direct queries and complaints to the South African National Consumers Union (SANCU), http://www.sancu.co.za

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Protecting Your Intellectual Property

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Introduction

Several general principles are important for effective management of intellectual property rights in South Africa. First, it is important to have an overall strategy to protect IPR. Second, IPR is protected differently in South Africa than in the United States. Third, rights must be registered and enforced in South Africa, under local laws. Companies may wish to seek advice from local attorneys or IP consultants. The U.S. Commercial Service can often provide a list of local lawyers upon request.

It is vital that companies understand that intellectual property is primarily a private right and that the U.S. government generally cannot enforce rights for private individuals in South Africa. It is the responsibility of the rights' holders to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors. While the U.S. Government is willing to assist, there is little it can do if the rights holders have not taken these fundamental steps necessary to securing and enforcing their IPR in a timely fashion. Moreover, in many countries, rights holders who delay enforcing their rights on a mistaken belief that the U.S. government can provide a political resolution to a legal problem may find that their rights have been eroded or abrogated due to doctrines such as statutes of limitations, laches, estoppel, or unreasonable delay in prosecuting a law suit. In no instance should U.S. government advice be seen as a substitute for the obligation of a rights holder to promptly pursue its case.

It is always advisable to conduct due diligence on partners. Negotiate from the position of your partner and give your partner clear incentives to honor the contract. A good partner is an important ally in protecting intellectual property rights. Keep an eye on your cost structure and reduce the margins (and the incentive) of would-be bad actors. Projects and sales in South Africa require constant attention. Work with legal counsel familiar with South African laws to create a solid contract that includes non-compete clauses, and confidentiality/non-disclosure provisions.

It is also recommended that small and medium-size companies understand the importance of working together with trade associations and organizations to support efforts to protect IPR and stop counterfeiting. There are a number of these organizations, both South African or U.S.-based. These include:

- The U.S. Chamber and local American Chambers of Commerce

- National Association of Manufacturers (NAM)
- International Intellectual Property Alliance (IIPA)
- International Trademark Association (INTA)
- The Coalition Against Counterfeiting and Piracy
- International Anti-Counterfeiting Coalition (IACC)
- Pharmaceutical Research and Manufacturers of America (PhRMA)
- Biotechnology Industry Organization (BIO)

IPR Resources

A wealth of information on protecting IPR is freely available to U.S. rights holders. Some excellent resources for companies regarding intellectual property include the following:

- For information about patent, trademark, or copyright issues -- including enforcement issues in the US and other countries -- call the STOP! Hotline: **1-866-999-HALT** or register at **www.StopFakes.gov**.
- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the US Patent and Trademark Office (USPTO) at: **1-800-786-9199**.
- For more information about registering for copyright protection in the US, contact the US Copyright Office at: **1-202-707-5959**.
- For US small and medium-size companies, the Department of Commerce offers a "SME IPR Advisory Program" available through the American Bar Association that provides one hour of free IPR legal advice for companies with concerns in Brazil, China, Egypt, India, Russia, and Thailand. For details and to register, visit: **http://www.abanet.org/intlaw/intlproj/iprprogram_consultation.html**
- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: **www.StopFakes.gov** This site is linked to the USPTO website for registering trademarks and patents (both in the U.S. as well as in foreign countries), the U.S. Customs & Border Protection website to record registered trademarks and copyrighted works (to assist customs in blocking imports of IPR-infringing products) and allows you to register for Webinars on protecting IPR.
- The U.S. Commerce Department has positioned IP attachés in key markets around the world. You can get contact information for the IP attaché who covers South Africa at: Johannesburg.office.box@mail.doc.gov

IPR Climate in South Africa

South Africa is a signatory of various international agreements and conventions relating to the protection of intellectual property, which includes Patents, Trade Marks, Designs and Copyright. South Africa has an independent judiciary under which any threat to property rights may be enforced without political interference.

While South African intellectual property rights (IPR) laws and regulations are largely in keeping with Trade-Related Aspects of Intellectual Property (TRIPS), there are still concerns about widespread copyright piracy and trademark counterfeiting. The United States is working with the South African authorities to address these issues. The South African authorities seem keen to enforce a higher compliance with IPR laws and the

South African Revenue Service (SARS) has been playing a prominent role in deterring imports of counterfeit goods.

The U.S. and South African governments have held extensive consultations to clarify a section of the South African Medicines Act, which appeared to grant the Minister of Health broad powers in regard to patents on pharmaceuticals. The U.S. and South African governments reached an understanding that any action taken by the South African government will be compliant with TRIPS. A similar understanding was then reached between the pharmaceutical companies and the South African government. However, there are still concerns with intellectual property in pharmaceutical circles and the discourse is currently centered on data exclusivity as a means to protect intellectual property.

Additional information on South African rules and registration procedures for patents, trademarks, and copyrights can be obtained from:

Department of Trade and Industry
Companies and Intellectual Property Registration Office
Trademarks, Patents, Design and Copyright
Private Bag X84, Pretoria, 0001
Tel: +27 (0)861 843 384; Fax: +27 (0)861 843 888
Mr. Joseph Makena
Email: JMakena@cipro.gov.za
Website: www.cipro.gov.za

Due Diligence Return to top

Proper due diligence information should form the starting base for any business negotiation with South African concerns. U.S. companies should act prudently in completing due diligence reports prior to any proposed business deals.

The U.S. Commercial Service can provide valuable background information on South African firms through our International Company Profile (ICP) service. Further information can be obtained by visiting our website at www.ussatrade.co.za or by contacting your local U.S. Export Assistance Center or the U.S. Commercial Service directly in Johannesburg (see contact numbers at the end of this guide).

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For information on local business service providers for U.S. exporters to South Africa, please visit the U.S. Commercial Service South Africa website at www.ussatrade.co.za or contact the U.S. Commercial Service in Johannesburg (see contact numbers at the end of this guide).

U.S. companies seeking legal representation in South Africa should contact the Commercial Service office in South Africa for a list of local attorneys. For more specific information, please contact:

Law Society of the Northern Provinces
PO Box 1493, Pretoria, 0001
Tel: +27 (0)12 338 5800; Fax: +27 (0)12 323 2606
Website: http://www.northernlaw.co.za/

Web Resources

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Association for Communication and Advertising
http://www.acasa.co.za/

Advertising Standards Authority of South Africa
http://www.asasa.org.za

Companies and Intellectual Property Registration Office
http://www.cipro.co.za

Department of Trade and Industry (DTI)
http://www.dti.gov.za/

Exhibition Association of Southern Africa
http://www.exsa.co.za

Franchising Association of South Africa
http://www.fasa.co.za

Law Society of the Northern Provinces
http://www.northernlaw.co.za/

National Association of Broadcasters
http://www.nab.org.za/

National Publishing Company
http://www.natpub.co.za

Print Media Association
http://www.printmedia.org.za/

South African National Consumer Union
http://www.sancu.co.za

South African National Treasury
http://www.treasury.gov.za/

South African Revenue Service

http://www.sars.gov.za/

U.S. Commercial Service South Africa
http://buyusa.gov/southafrica/en or http://www.ussatrade.co.za

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Chapter 4: Leading Sectors for U.S. Export and Investment

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Electrical Power Systems

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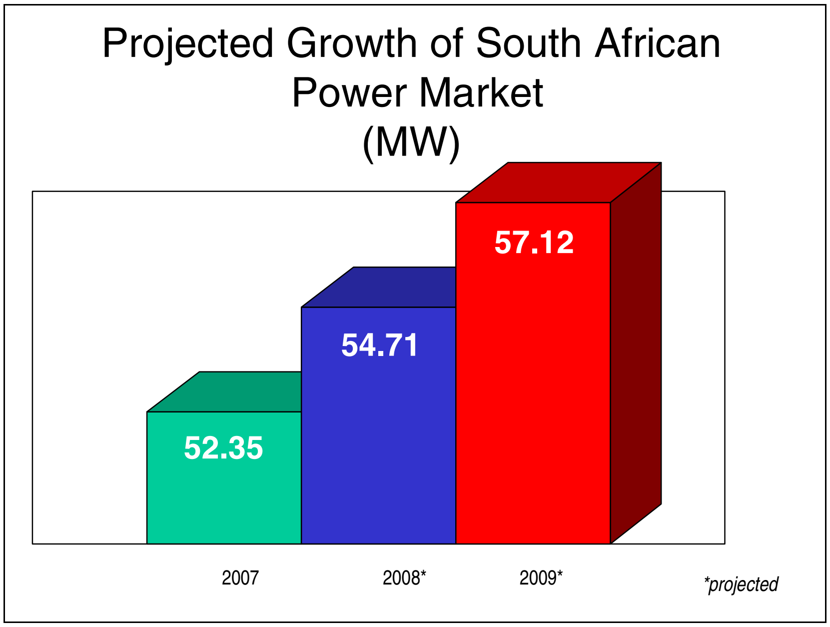

	2007 (estimated)	2008 (projected)	2009 (projected)
Total Market Size	52.35	54.71	57.12
Total Local Generation	44	46	48
Total Exports	14	15	16
Total Imports	11.42	13.59	16.17
Imports from the U.S.	N/A	N/A	N/A

Note: All figures in thousands of megawatts (MW)
Above figures are anecdotal and unofficial estimates obtained from industry sources

South Africa's rapid economic growth in recent years has resulted in electricity demand rising faster than planners had anticipated: peak period consumption has risen by an estimated 15 percent over the past decade. That rapid increase has narrowed the gap between total electricity demand and the available supply.

The increase in demand for electricity over the past several years has diminished reserve margins to approximately eight to ten percent. Industry sources generally recommend a margin of about 15 percent. Media reports estimate an average increase of 42.7 percent in electricity imports over the first quarter of 2008.

Eskom, the state power company, has accelerated its capacity expansion program in line with the South African government's drive to boost economic growth to six percent by 2010, and investment decisions will be based on this growth target. It is estimated that this will result in average growth in demand of 4.4 percent per annum, requiring approximately 47,252 megawatts (MW) of new capacity – more than double the total existing capacity – to satisfy new demand to be built between 2005 and 2025, or roughly 2,000 MW per annum.

The South African government has also decided that Eskom will build approximately 70 percent of the new capacity required in South Africa. The balance is expected to come from independent power producers (IPP's). In the short to medium term, Eskom will be the counterparty in the power purchase agreements with these IPP's. The first of these is expected to consist of 1,000MW of oil-fired gas turbines for peaking use, which would be commissioned by the end of 2009.

An AES Pacific Ocean led consortium, with local partners Tiso Energy, Mbane Power, and Kurisani Youth Development Trust, was recently named the preferred IPP bidder to build the two new peaking power plants in South Africa.

The AES consortium will finance, design, build, own and operate a 750-MW power station in Durban, at the Avon site, near Shakaskraal, and a 330-MW plant in Port Elizabeth, at the Coega Industrial Development Zone.

Best Prospects/Services Return to top

Products and services with immediate need or potential in South Africa include:

- Construction of New Power Stations,
- Pebble Bed Modular Reactor (PBMR),
- Electricity Network Upgrade,
- Refurbishment of Turbines and Related Equipment,
- Transmission and Distribution Equipment,
- New Plant Equipment and Related Systems, and
- Systems Control Equipment.

Opportunities Return to top

Eskom estimates that up to $21.4 billion will be spent on new infrastructure for transmission and power generation projects in South Africa within the next five years. Feasibility studies for new power stations over the longer term (present to 2010) are well advanced. The overall capital expenditure leading to 2025 and beyond, is expected to exceed $43 billion (R300 billion).

Medupi, formerly code-named projects Alpha and Charlie, will be a dry-cooled, coal-fired generating plant, comprising six units, with 4,800-MW installed capacity. A dry-cooled process uses less water than a conventional coal-fired plant. The power station will use high-tech supercritical boilers, which will operate at higher temperatures and pressures than older boilers, giving greater efficiency.

The base-load plant, made up of six 800-MW units, will be commissioned in phases, with the first unit likely to go commercial in late 2011, or early 2012. It is the first base-load, coal-fired station to be built in South Africa in over 20 years and its on time delivery is viewed as critical, given that Eskom is currently operating at an uncomfortably low reserve margin of well below 10 percent.

The project forms part of the utility's integrated strategic electricity plan. Eskom's official cost figure for the construction of Medupi is $11.23 billion (R78.6 billion), which represents a significant portion of its medium-term capital expenditure plans.
Eskom has already approved generation projects worth $29.14 billion (R204 billion), transmission projects worth $109 billion (R15.5 billion) and distribution projects worth $3.57 billion (R25 billion).

State power utility Eskom has received all the necessary approvals, including an environmental record of decision, to proceed with a second multibillion-rand pumped-storage scheme, dubbed ‘Project Lima’, in Limpopo province. Project Lima, on which Eskom plans to take a final investment decision soon, is envisaged as a 1,500-MW plant, comprising four 374-MW units. Under the current construction schedule, Eskom hopes to commission the plant in 2014.

The utility is already constructing a $1.29 billion (R9 billion) pumped-storage scheme, known as Ingula (previously Braamhoek), in the Drakensberg mountain range on the border between the Free State and KwaZulu-Natal provinces. It will have a capacity of 1,330 MW.

Eskom also recently issued tenders for the design, manufacture, supply, installation, commissioning and testing of the electrical and mechanical auxiliaries plant.

Nuclear Energy:

Eskom has indicated that it plans to add some 40,000 MW between now and 2025 to raise its installed capacity to about 80,000 MW. About 20,000 MW of that is expected to be as a result of nuclear projects, with an investment decision for the first nuclear project expected in 2008.

Five potential sites for the nuclear investment are currently being interrogated and undergoing environmental-impact assessment studies.

Should Eskom proceed, some 15 percent of its enlarged energy mix could be derived from nuclear by 2025 – at present, Koeberg, South Africa’s only nuclear facility, makes up about 5 percent of the coal-dominated fleet. In fact, coal, which currently comprises nearly 90 percent, or 33,036 MW, of the overall mix, is expected to fall to about 70 percent should the nuclear plants be approved and pursued.

Distribution Network:

The Department of Minerals and Energy, through its wholly owned Electricity Distribution Industry (EDI Holdings), is in the process of restructuring the $5 billion a year electricity distribution industry (EDI) into a number of regional electricity distributors (RED’s). The restructuring process will see Eskom Distribution and 187 municipalities transferring all their assets, liabilities, obligations, staff and rights to the RED's. The aim of the project is to make electricity distribution more streamlined, resulting in a more efficient service, with improved infrastructure maintenance. Six RED's will be established throughout the country, in the following metropolitan areas: Johannesburg, Tshwane (Pretoria), Ekurhuleni (East Rand), eThekwini (Durban), Port Elizabeth and Cape Town.

Occasional power outages were experienced during 2006 and more frequent power outages at the end of 2007. This state of affairs looks set to continue in the short to medium term future. Industry analysts have pointed to the age and lack of maintenance of the electricity distribution equipment as partly the cause of these 'black-outs', particularly in Johannesburg. The average age of equipment is 30 years. U.S. companies are encouraged to leverage this need for the provision of necessary supplies when the transition to RED's takes effect.

Upcoming capital expenditure will focus on:

- Upgrading all transmission and distribution equipment to alleviate current overloading situations;
- Upgrading and replacing all old, under-maintained cable networks; and
- Upgrading of all protection systems, utilizing technologically modern equipment.

The expenditure program will also seek:

- To construct or expand key substations to alleviate loading problems and also to eliminate the use of nonstandard voltages (such as 20 kV); and
- To expand the SCADA (Supervisory Control and Data Acquisition) system in order to make it possible to monitor and operate more substations remotely.

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Publications

Engineering News
Website: www.engineeringnews.co.za

Key Contacts

South African National Energy Association (SANEA)
Website: www.sanea.org.za

Department of Minerals & Energy
Website: www.dme.gov.za

Eskom Holdings Limited
Website: www.eskom.co.za

Electricity Distribution Industry Holdings (EDI)
Website: www.ediholdings.co.za

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Website:http://buyusa.gov/southafrica/en or www.ussatrade.co.za

Telecommunications Services

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Telephone Subscribers (Tele-density)

Telephones	2003	2004	2005	2006	2007
Fixed Lines	4,709	4,680	4,726	4,708	4,642
Cellular					
Vodacom	7,874	9,725	11,000	19,700	23,300
MTN	4,723	6,270	8,000	10,400	11,900
Cell-C	1,200	2,300	3,000	3,400	0,500
Virgin-Mobile	-	-	-	0,500	1,100
Total (Cellular)	13,797	18,295	22,000	34,000	36,800

Source: South Africa Department of Communications (DoC)
Telkom SA, MTN, Vodacom and Cell C reports 2007.

All Figures in millions of lines/subscribers. 2007 figures are forecasts.

The South African telecommunications services market is estimated to grow at rate of over forty percent in preparation for the 2010 Soccer World Cup, declining to about 20 percent beyond 2010. This market segment presents opportunities for industry players particularly since the South African telecommunications infrastructure is already the most advanced on the African continent. Telkom SA remains the leading telephone player with just over 4.6 million subscribers, but there has been a gradual decline in the number of fixed line subscribers from 4.7 million in 2006. Neotel was licensed to operate as the second network operator (SNO), thus introducing for the first time competition to Telkom SA (as the first national infrastructure-based competitor in the fixed line telecoms sector in the country). Rollout has not gone as planned however, due to delays in receiving the necessary spectrum from regulator Icasa. As a consequence, Neotel failed to meet its June 2007 commercial rollout target.

Industry players believe that rollout of wireless broadband services will add a further competitive aspect to the market and will improve coverage in areas that are currently under-serviced by fixed-line networks. South Africa currently has four WiMAX licensees: Telkom, Neotel, Sentech and iBurst.

Neotel has joined the recently launched Seacom project, a U.S. led submarine broadband cable project, which is privately funded, that will link from Mtunzini in South Africa to Mumbai in India and Marseille in France via Mozambique, Madagascar, Kenya and Tanzania. Neotel claims that its participation in the Seacom project will help to ‘shake up’ the South African telecoms market by breaking incumbent sole operator Telkom's stranglehold on the wholesale international bandwidth market. The new entrant predicts that it will be able to provide bandwidth to other voice and data carriers for up to 80 percent less than satellite providers once the cable is in place.

The current cellular industry consists of four cellular communications network operators: MTN, Vodacom Cell-C, and Virgin Mobile (a joint-venture between Cell-C and UK-based Virgin Media). The latter operates across the Cell-C network. The South African cellular industry has had a phenomenal growth in the last five years, from almost 14 million subscribers in 2003 to approximately thirty four million in 2006. MTN and Vodacom collectively account for almost 90 percent of the market. In the face of the eventual slow-down of growth in cellular telephone penetration (where the penetration rate is expected to reach ninety percent by 2010) attention will shift towards the advanced services market. Network operators Vodacom and MTN have deployed a further 3G solution to help expand the existing NGN network and roll out HSDPA.

Best Products/Services

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- Converged IP Services
- VoIP (Voice over IP)
- PoE (Power over Ethernet)
- MPLS (Multiprotocol Label Switching)
- IPv6 (Version 6 of the IP)
- Broadband Demand Digital Terrestrial Television (DTT)
- Wireless Broadband Services
- Advanced Cellular Services

Opportunities

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- Power over the Ethernet (PoE) is a growing requirement for corporate networks.

- Multiprotocol Label Switching (MPLS).

- IPv6 will be considered in every equipment purchase, even though its impact will not be felt in the next couple of years.

- Advanced services marketing in the cellular industry. Network operators have already deployed a further 3G solution to help expand the existing NGN network and roll out HSDPA.

- South Africa is hosting the 2010 Soccer World Cup and industry sources predict a growth rate in telecommunication services of over 40 percent for this world-class event, declining to 20 percent after 2010. MTN Group will be the exclusive global cellular sponsor of this event.

Resources

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Major Shows

FUTUREX (Johannesburg) 2008
Futurex is a single, unified and definitive event for the Information and Communications Technologies and Electronics industries.
Dates: May 20-23, 2008
Venue: Sandton Convention Center (Johannesburg)
Website: www.futurex.com

FUTUREX (Cape Town) 2008
Dates: September 2008 (dates TBC)
Venue: Cape Town Convention Center
Website: www.futurex.com

MEDIATECH AFRICA 2008
Description: Advanced technology for the broadcast, audiovisual communication, media and staging industry.
Venue: Sandton Convention Center, Johannesburg
Date: TBC
Website: www.mediatech.co.za

Publications

Communication Technologies Handbook
BMI-Technowledge
Contact: Anita Mathews
Tel: +27 (0)11 540 8000; Fax: +27 (0)11 540 8001
Email: ammmm@telkomsa.net
Website: www.bmi-t.co.za

Key Contacts

South African Department of Communications (DoC)
Website: www.doc.gov.za

Independent Communications Authority of South Africa (ICASA)
Website: www.icasa.org.za

Telkom South Africa
Website: www.telkom.co.za

Neotel
Website: www.neotel.co.za

Seacom
Website: www.seaconint.com

Sentech
Website: www.sentech.co.za

Transtel (Neotel Partner)
Website: www.transtel.co.za

Eskom Enterprises (Neotel Partner)
Website: www.eskom.co.za

Vodacom (Cellular Operator)
Website: www.vodacom.co.za

MTN Networks (cellular Operator)
Website: www.mtn.co.za

Cell C (Cellular Operator)
Website: www.cellc.co.za

Virgin Mobile
Website: http://www.virginmobile.co.za/

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Website: http://www.ussatrade.co.za/

Aviation

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		2005	2006	2007 (estimated)
Total Market Size		355	367	388
Total Local Production		102	125	135
Total Exports		88	85	93
Total Imports		235	283	302
Imports from the U.S.		98	124	138

Note:

All figures in US$ millions.
Above figures exclude the value of the unannounced B-747 replacement program of SAA expected during 2008.
Above figures are unofficial estimates obtained from industry sources.
2004 Rand/Dollar exchange rate: US$1 = R 6.50
2005 Rand/Dollar exchange rate: US$1 = R 6.37
2006 Rand/Dollar exchange rate: US$1 = R 6.90
2007 Rand/Dollar exchange rate: US$1 = R7.05

The hosting of the 2010 World Cup Soccer event in South Africa, ongoing freight handling upgrades, as well as the growing domestic low-cost carrier market, will act as a major stimulus for airport development in South Africa. Growth in South Africa's air transport sector has been forecast at approximately seven percent annually for the next six years, resulting in a $444 million market by 2011. The single most important aviation procurement for 2008 will be an expected replacement of the B-747 fleet of the national carrier South African Airways. The South African Police Services (SAPS) is also expected to procure a small fleet of light helicopters in 2008 as part of a new program.

South Africa has eleven principal airports, including four international hubs and hundreds of smaller regional and private airports. The South African parastatal, Airports Company of South Africa (ACSA), owns and operates South Africa's nine main airports, including Johannesburg's OR Tambo International Airport, the air transport hub of Sub-Saharan Africa. ACSA's capital expenditure over the past seven years amounted to about $560 million. ACSA is an important multiplier for U.S. companies wishing to gain access to the African airport market.

The construction of the long-awaited King Shaka International Airport (KSIA)/Dube Trade Port development was launched in 2007 by prime contracting consortium Illembe. KSIA is due to be operational by early 2010 with a 3.7-kilometer runway, a passenger terminal of 6 million per year, as well as a freight capacity of 55,115 tons per year. Most mission-critical contracts of this project are currently being rolled out or have already been awarded.

Best Prospects/Services

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The best prospects for U.S. airport solutions providers to take advantage of infrastructure upgrades as well as KSIA over the next three years will be:

- Ground Support Equipment,
- Passenger Transport Vehicles,
- Luggage Handling Vehicles and Systems,
- Cargo De-Grouping and Logistics,
- Passenger Air Bridges,
- Air Traffic Control,
- International Airport Site Relocation Expertise,
- Instrument Landing Systems, and
- Safety and Security Systems Integration.

Large U.S. suppliers of technical airport ground support systems are well represented in South Africa, either by means of representatives, agents or distributors. The logical scope for further business developments between U.S. and South African partners lies most especially with smaller and medium sized U.S. companies that have specialized technologies that can be resold from, or incorporated within, South Africa. At a technical level there is high receptivity for U.S. products and technology predicated on the quality that U.S. solutions provide. There is continual demand for commercial and general aviation solutions from the United States in the following fields:

- Engine Management Systems;
- Precision Tooling; and
- Maintenance, Repair and Overhaul (MRO) Certification.

Due to a severe shortage of skilled technicians in a growing industry, a low throughput from training institutions and general concern with aviation safety and MRO standards, there are definite opportunities in training systems to upgrade the skills pool.

Opportunities Return to top

The continued growth of commercial and general aviation in Southern Africa will see significant investments in equipment and systems at airports. ACSA will be the biggest single user of this equipment. KSIA will be the focus of significant new systems rollout at this new airport project by 2010.

Continuous upgrades of Air Traffic Control (ATC) both in South Africa, as well as in neighboring countries that rely on the capacity of Air Traffic and Navigation Services (ATNS) are ongoing.

The South African Weather Services (SAWS) is expected to announce the outcome of a tender for a significant program for weather surveillance radar systems around the country in early 2008.

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Exhibitions and Conferences

Africa Aerospace and Defence 2008
Land Sea and Air Systems Show.
September 17 – 21, 2008
Ysterplaat Air Force Base
Cape Town
Website: http://www.aadexpo.co.za

Key Contacts

Airports Company South Africa (ACSA)
Website: www.airports.co.za

Air Traffic and Navigation Services (ATNS)
Website: www.atns.co.za

Commercial Aviation Association of Southern Africa (CAASA)
Website: www.caasa.co.za

Dube Trade Port/King Shaka International Airport (KSIA)
Website: www.dubetradeport.co.za

Aviation Companies Index of Southern Africa (AVDEX)
Website: www.avdex.co.za

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Automotive Parts/Service Equipment

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	2005	2006	2007 Projected
Total Market Size	18.1	20.27	18.69
Total Local Production	7.8	8.51	7.84
Total Exports	7.6	8.50	8.06
Total Imports	10.3	11.54	11.82
Imports from U.S.	0.475	0.533	0.546

Note:
All figures in US$ Billion
Above Figures are unofficial estimates obtained from industry sources
2005 Rand/Dollar exchange rate: U.S. $1 = R6.37
2006 Rand/Dollar exchange rate: U.S. $1 = R6.90
2007 Rand/Dollar exchange rate: U.S. $1 = 7.05

The automotive industry is the leading manufacturing sector in the South African economy. It incorporates the manufacture, distribution, servicing and maintenance of motor vehicles and plays a vital role in South Africa's economy. The sector made up approximately 7.5 percent of the Gross Domestic Product (GDP) of South Africa in 2006, a contribution, which is growing annually. Although the industry is responsible for only 0.85% of the world's vehicle production (over 66 million units), it produced over 75% of Africa's vehicle output in 2006.

Total production in 2006 represented a record for the industry; however, final figures for 2007 vehicle production are expected to show some consolidation with renewed growth anticipated for 2008.

Most of the global major motor vehicle manufacturers (OEM's) are represented in South Africa with assembly plants, and are concentrated in three of the country's nine provinces. These include BMW, Nissan and Ford which are operating in Gauteng (Johannesburg/Pretoria area), Volkswagen, Daimler SA, General Motors in the Eastern Cape and Toyota in KwaZulu-Natal. Seven of these eight OEM's are wholly owned subsidiaries of their parent companies, while Toyota is majority foreign-owned. Other global companies - notably Renault, Peugeot-Citroen, Hyundai, Kia, Subaru, Daihatsu, Tata, Mahindra, Proton and Porsche - export vehicles to South Africa.

To support vehicle production and the aftermarket, over 200 first tier suppliers and more than 300 second and third tier suppliers are spread throughout the country, mostly in Gauteng, the Eastern Cape and KwaZulu-Natal, with a few companies in the Western Cape.

The automotive components sector has been subjected to rapid increases in import penetration, with imports rising from 32.2 percent of domestic demand over the 1994-1998 period, to 47.3 percent over the comparable subsequent time span (1999-2003). These trends are linked directly to the South African Government's incentive policy for the automotive industry: the Motor Industry Development Program (MIDP).

Best Prospects/Services

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Top ten parts and components imported into South Africa include: engine parts, automotive tooling, tires, stitched leather components, gauges/instrument parts, brake parts, catalytic converters, transmission shafts, car radios and lighting equipment. Further opportunities for U.S. exports to South Africa are:

- Airbags and Airbag Packs,
- Air-Conditioning Compressors,
- Engine and Engine Components,
- Center Consoles,
- Chassis Modules and Components,
- New Generation Manifolds,
- Aluminum Forging and Castings,
- Instrument Panels,
- Metal Substrates,
- Electric Power Assisted Steering Wheel,
- Plastic Moldings and Paintings,
- Leather Products,
- Body Parts,
- Electronic Components, and
- Specialty Equipment (Performance and Accessories).

Opportunities

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The large number of model variants imported has widespread implications for the aftermarket, which represents opportunities for U.S. companies. In 1995, consumers had a choice of 250 model variants, by 2006 this had increased to 1600 model variants.

Further, there is a lack of telematic components that are essential for inflating airbags, the facilitation of security and control of tracking devices, and the control of engine/transmission functions. These functions demand more and more sensors, making repair difficult and expensive. Industry sources predict significant growth in the proportion of new cars that will feature automotive telematics. Electronic systems account for as much as a third of the manufacturing costs of new cars and the proportion is increasing – yet another opportunity for U.S. technology to develop in the South African automotive component market.

Resources

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The Department of Trade and Industry South Africa
Website: http://www.thedti.gov.za

National Association of Automobile Manufacturers of South Africa (NAAMSA)
Website: http://www.naamsa.co.za

National Association of Automotive Components and Allied Manufacturers (NAACAM)
Website: http://www.naacam.co.za

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Transportation, Infrastructure and Civil Construction

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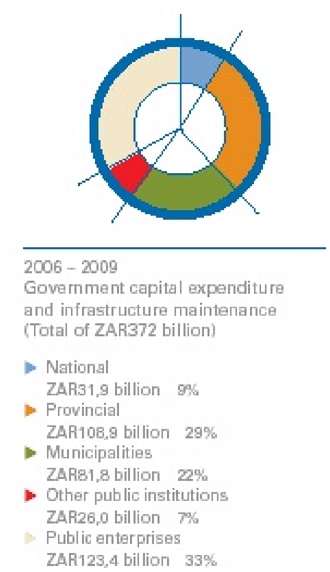
	2005	2006	2007 *(Projected)*
Total Market Size	23.24	26.05	30.73
Total Exports	9.14	10.76	12.05
Total Imports	21.62	23.79	27.83
Imports from U.S.	2.23	2.90	3.56

Note:
All figures in US$ Billion
Above Figures are unofficial estimates obtained from industry sources

2005 Rand/Dollar exchange rate: U.S. $1 = R6.37
2006 Rand/Dollar exchange rate: U.S. $1 = R6.90
2007 Rand/Dollar exchange rate: U.S. $1 = 7.05

Source: SARB



Source: Budget Review 2006

Construction covers a large variety of work types and includes roads and bridges, harbor piers, railway lines, water, sanitation, telecommunications and power infrastructure. Government's infrastructure spending of $62 billion over the period 2006 to 2009 will have a significant impact on this sector.

Key areas of development over the next few years, which represent good prospects for U.S. companies are:

- Stadium Construction,
- Port Construction,
- Railway Construction, and
- Construction of Hotels and other Tourist Facilities

Opportunities

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Stadium Construction

The South African construction industry is anticipated to experience an average growth rate of 6.4 percent per year in advance of the 2010 Soccer World Cup. The government has developed a two-prong strategy to utilize the construction industry. First, it is using a planned $3.96 billion investment to help develop the industry and simultaneously spur economic development. Second, the government is concentrating efforts to expand and improve infrastructure between now and 2010. The construction industry plays a major role in South Africa's economy, employing nearly 750,000 people, making it South Africa's third largest employer. The industry will need to nearly double its output over the next ten years to meet investment demand. Opportunities for U.S. companies to enter or expand their market share in the region's construction industry are ripe.

Winning rights to host the 2010 World Cup has been a boon for the South African construction industry. South Africa's nine existing soccer stadiums are being refurbished and capacity at each is being increased through the addition of new seats. New facilities are being built in Cape Town, Kimberly, Nelspruit, Pretoria, and Port Elizabeth at an estimated combined cost of $798 million.

Best Prospects/Services

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Lucrative tenders to sub-contract to principal construction firms for 2010 upgrades and building of new stadiums offer great opportunity for U.S. firms. Local municipalities and 2010 Local Organizing Committees seek to attract foreign expertise in many facets of the construction these stadiums. U.S. business can benefit from the following needs relating to the construction of the stadiums:

Membrane Facades	Stadium Seats
Roof Covering and Acoustic Treatment	Standby Generators
Cold Rooms and Refrigeration	Access Control, CCTV & PA
Glazed Balustrades	Audio Systems
Painting and Decorative Coatings	Waterproofing
Prefabricated Toilet Cubicles	Mobile Acoustic Partitions
Epoxy Floor Coverings	Podium Ventilation
Fire-Shutters	Roof Soft Membrane
Smoke Extraction	Ventilation Louvres

Further opportunities:

- U.S. infrastructure development companies that become part of the infrastructure development value chain.

- U.S. facilities management companies and the relevant U.S. industry associations that can add value to the 2010 process, especially in the light of the multi-purpose applications that will be required after the end of the Cup.
- US technology providers and design integrators in the fields of:
  - Ticketing systems at events,
  - ICT especially for the International Media Center (IMC) and International Broadcasting Center (IBC) and stadium connectivity,
  - Turnstiles,
  - Safety and security applications, and
  - Crowd management systems.

Port Construction and Related Works

The commercial port industry is a rapidly expanding gateway into the South African and international economy. As the National Ports Authority (NPA) of South Africa and the South African Port Operations (SAPO) complete construction of the country's eighth commercial port, a $457 million investment, and the 2010 World Cup approaches, opportunities for U.S. companies to enter or expand their market share in the region's port industry are ripe. Situated on one of the world's busiest trade routes, the ports of South Africa promise to remain of strategic and economic importance well into the future. Multi-purpose automotive, container, break-bulk, and bulk ports offer a world-class infrastructure supported by inter-modal transportation linkages to the African continent. Furthermore, high demand for raw materials in preparation for 2010 has created a unique and targeted niche for importation and distribution centered on backward and forward integration and one-stop-shop investor facilitation.

Following major growth in port-related industries, particularly automotives, ports have a pivotal role to play in the international market. As a corridor among three continents, 98 percent of imports to and from the region move through South Africa's maritime ports. In 2005, Transnet injected some $211 million into South Africa's maritime industry and has committed a further $3.52 billion in investments over the next five years. The company operates the two subsidiaries with broad responsibilities for ports: the National Ports Authority (NPA), which owns all port land and provides marine services such as pilotage and upkeep of infrastructure, and SAPO, which handles cargo operations at 13 terminals situated among commercial ports along South Africa's coastline.

State-owned harbor operator South African Port Operations (SAPI) claims to be taking a manufacturing view of its procurement processes and is encouraging foreign equipment suppliers, with which it places contracts, to integrate South African manufacturers into their global supply chains.

Overall, opportunities exist for U.S. suppliers of quayside equipment, bulk material handling systems, environmental solution service providers, maritime logistics management, bulk supply chain management, and related services and expertise.

Railway Construction

The Gautrain project, in Gauteng province (Johannesburg/Pretoria), is one of the biggest single items in the $62 billion infrastructure spending allocation over the next three years, which is part of the South African Government's Accelerated and Shared Growth Initiative (ASGISA).

This modern state-of-the-art rail connection will link Sandton, Johannesburg, Pretoria and the O.R. Tambo International Airport (OTIA). The network, which will consist of approximately 80 kilometers of railway line, and which may be extended in the future, will be made up of two links: one between Pretoria and Johannesburg for daily commuters and another from OTIA to Sandton for businesspeople and tourists.

Gautrain Rapid Link is estimated to cost over $3.3 billion. The Bombela consortium was chosen as the preferred bidder and completion of this project is expected to be early in 2010.

Transnet recently announced a $5.8 billion, five-year locomotive-acquisition program for Spoornet's rejuvenation and expansion program and the coal corridor from Mpumalanga to Kwa Zulu Natal. In addition to this, Transnet also has plans to upgrade the Sishen-Saldanha iron-ore line from the current 29-million-tons-a-year to 41-million tons by 2009/10. The expansion is necessary to cope with envisaged expansion by iron-ore miners Kumba Resources and Assmang.

The rail-upgrade plans include an increase in rolling stock, as well as improvement to the rail infrastructure. At the Saldanha port, South African Port Operations plans to commission an additional rail-wagon tippler, stockyard and stacker/reclaimer, and replace ship loaders and stacker/reclaimers.

Construction of Hotels

Tourism-related construction activity is currently buoyant in South Africa. There are many joint ventures between foreign and South African investment companies to develop hotels in South Africa. One such joint venture is the partnership between Indian Hotels Company Limited (India) and Eurocape to develop the “Mandela Rhodes Place” at cost of $21.6m in Cape Town. Other notable projects include the Tusk Rio Hotel in Klerksdorp ($15.6m), several four and five star hotels and approximately ten medium-range hotels being built to correspond with venues for the World Cup.

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Transnet

www.transnet.co.za

Other relevant websites:

http://www.sacapsa.com/

http://www.worldcup2010southafrica.com/

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Franchising

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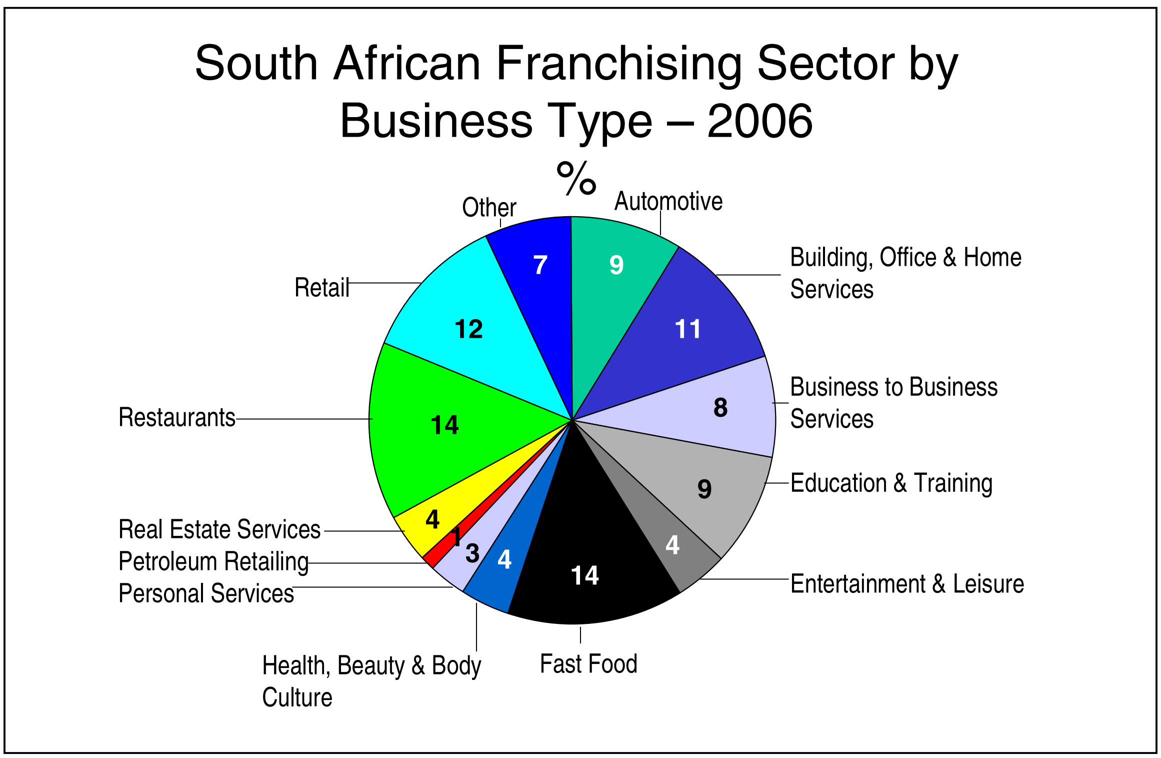
The franchising sector in South Africa has evolved from modest beginnings to become a substantial contributor to South Africa's economy. Franchising contributed 12% to GDP in 2006 and has maintained an annual growth rate over the past few years at around the 25 percent plus mark.

Revenue from franchised outlets grew by 48 percent between 2004 and 2006. The total revenue of the sector was valued at $19.5 billion in 2004 and is estimated to be $27.3 billion in 2006. Over the same period, the number of jobs in the franchising sector grew 77 percent.



As the chart above shows, the franchising sector in South Africa is also varied in terms of the types of businesses represented. While the top two types of franchising businesses are fast food and restaurants, Building, Office & Home Services is a close third.

Best Products/Services
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While the South African economy has seen significant, consistent growth over the last several years, huge inequalities remain. Opportunities for high-end consumer brands that require several locations to be viable are limited. At the same time, there are a number of business types that can be successful in this market – as evidenced by the wide range of franchising business types already operating in South Africa. Examples of some franchising sectors that have recently seen particular growth:

- Building, Office and Home Services;
- Business to Business Services;
- Fast Food;
- Toy Outlets
- Other Restaurants; and
- Retail.

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Fast food franchising brands have shown strong growth in the recent past. Many are bullish about the sector's continued prospects for enlargement, based on a number of factors:

- As has been seen globally, consumers are increasingly buying fast food and other meal replacements for 'from scratch' home-made meals;
- Low and middle income consumers continue to experience growth in their disposable income; and
- In the event of interest rate hikes, high-end consumers may increasingly choose fast food restaurant options as these are often more economical than other restaurant types.

While the franchising market has grown in South Africa, U.S. brands are still under-represented. Only a small minority of U.S. brands are represented here (although those that are here have reported successful expansion and there are several new entrants into the market). At the same time, respect for and awareness of many U.S. brands is high.

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Franchise Association of South Africa
http://www.fasa.co.za

Franchize Directions
http://www.franchize.co.za/

Small Enterprise Development Agency
http://www.seda.org.za

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Alternative Energy

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Renewable energy currently contributes about 9 percent of South Africa's total energy mix. The Department of Minerals and Energy (DME) has set a target that the share of renewable energy of the country's total energy consumption should be 10,000 GWh (Gigawatt Hours) by 2013. This is approximately 4 percent or 1,667 MW (megawatts) of the projected energy demand of 41,539 MW for 2013 in addition to the existing renewable energy contribution.

Best Products/Services
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Wind and solar thermal energy are currently heading the list in South Africa as having the most potential to be linked to the national grid and there is much potential for non-grid renewable power applications, which can be used to ensure access to power in remote rural areas. Wind energy, currently one of the fastest-growing renewable-energy sectors, is leading the way in the implementation of environment-friendly electricity generation capacity. Energy studies identify solar energy as the most readily accessible renewable energy resource available in South Africa.

Renewable Energy

The renewable energy sources that the South African Department of Minerals and Energy (DME) plans to utilize to reach its 2013 goal, 10,000GWh of energy produced from renewable energy, are mainly biomass, wind, solar and small-scale hydro. According to market analysts, the target, if achieved, will:

- Add about 1,667 MW new, renewable energy capacity, with a net impact on Gross Domestic Product (GDP) as high as $142.8 million a year;
- Create additional government revenue of $39.87 million;
- Stimulate additional income that will flow to low-income households by as much as $17.07 million, creating just over 20,000 new jobs, and
- Contribute to water savings of 16.5 million kiloliters, which translates into savings of $3.55 million.

Opportunities
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The choice of initial technologies to be implemented is based on the level of commercialization and natural resource availability. These technologies include:

- Sugar-cane bagasse for cogeneration (the pulp that remains after juice has been removed from sugar cane or sugar beet);
- Landfill gas extraction;
- Mini-hydroelectric schemes, and
- Commercial and domestic solar water heaters.

The DME has introduced nominal, once-off capital subsidies to assist project developers in implementing economically sound projects that are readily financed by financial institutions.

The State-owned Central Energy Fund has established the Energy Development Corporation, whose mandate is to investigate opportunities in the field of renewable energy and prepare business cases for viable initiatives.

The Department of Minerals and Energy (DME) established the Renewable Energy Finance and Subsidy Office (REFSO), whose duties include:

- The management of renewable energy subsidies; and
- Offering advice to developers and other stakeholders on renewable energy finance and subsidies. This includes information on the size of awards, eligibility, procedural requirements, and opportunities for accessing finance from other sources.

Resources Return to top

Key Contacts

Central Energy Fund
Website: http://www.cef.org.za/

Department of Minerals & Energy
Website: www.dme.gov.za

Eskom Holdings Limited (State-owned, monopoly electricity utility)
Website: www.eskom.co.za

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Safety/Security Equipment

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	2005	2006	2007 (*Estimated*)
Total Market Size	2162	2359	2760
Total Local Production	1568	1701	1750
Total Exports	777	803	842
Total Imports	484	498	531
Imports from the U.S.	110	125	139

Note: All figures in US$ million
Above figures are unofficial estimates obtained from industry sources.
Figures include both services and equipment.
2005 Rand/Dollar exchange rate: US$1 = R 6.37
2006 Rand/Dollar exchange rate: US$1 = R 6.90
2007 Rand/Dollar exchange rate: US$1 = R 7.05

Rising crime rates in South Africa have created a market of opportunity for the private security sector and providers of safety and security equipment. According to the latest statistics, crime in South Africa has increased annually since 2000 with an estimated 80 percent of all South African companies having experienced security breaches during 2005 (with an estimated cost to the economy of over $165 million). Although surveillance is recognized as an effective crime deterrent, only 20 percent of South African companies have an intrusion detection system. As a consequence, upgrading security has been identified as a top priority by businesses (and homeowners) in South Africa. They are increasingly looking for external expertise as well as investigating new digital technologies.

Surveillance equipment, particularly CCTV, is the largest sector of the South African security market with a value between $85 and $165 million. Related technologies, such as data storage for graphic recordings and integrated security products, will see a commensurate increase and represent a major opportunity, as they are underrepresented by existing local security firms.

Another sector with an expected high level of growth for surveillance equipment is Correctional Services. The increased building of prisons in South Africa, as a result of the growth in crime, has prompted the Department of Correctional Services to look at alternative methods of design that will achieve high security and prisoner control in environments that also meet international standards. U.S. solution providers are encouraged to look at the commercial and industrial side of the safety and security sector.

Best Products/Services

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The best prospects in this sector include:

- Integrated surveillance equipment,
- CCTV,
- Body armor and other protective armament, and
- Biometrics.

Opportunities Return to top

- The Department of Correctional Services is planning for several new prisons. Security and integrated surveillance equipment are required for these facilities.
- Security equipment and integrated systems are required for sporting facilities nationwide in support of 2010 World Cup Soccer. Procurement for these systems is taking place on a decentralized basis by every respective stadium manager from a list of Local Organizing Committee (LOC) approved service providers
- Body armor and related SWAT equipment are required by South African Police due to the increased crime rates.
- Non-lethal firearm systems are slowly being introduced due to the implementation of the Firearms Control Act in 2005.
- User-friendly emergency call systems have been piloted and accepted for the Provinces of Gauteng and the Western Cape; further roll-outs will follow across the country.

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Exhibition and Conferences

SECUREX 2007
Fire, Safety and Security Show
Venue: Sandton Convention Center
Dates: June 25 – 27, 2008
Website: www.securex.co.za

Key Contacts

The Security Association of South Africa
Website: www.sasecurity.org

Electronic Security Distributors Association (ESDA)
Website: http://www.esda.org.za/

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Pollution Control Equipment

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	2005	2006	2007 (*Estimated*)
Total Market Size	60	68	74
Total Local Production	32	35	42
Total Exports	21	22	31
Total Imports	40	48	62
Imports from the U.S.	24	29	34

Note: All figures in US$ millions
Above figures are unofficial estimates obtained from industry sources.
2005 Rand/Dollar exchange rate: US$1 = R 6.37
2006 Rand/Dollar exchange rate: US$1 = R 6.90
2007 Rand/Dollar exchange rate: US$1 = R 7.05

In 2006 three major issues dominated the South African Government's environmental efforts:

- The implementation of the updated and stricter South African Air Quality Act,
- Regulation of the use of leaded vehicle fuel, and
- Enforcement of regulations on management of hazardous waste materials (particularly asbestos).

The South African Air Quality Bill of 2005 places increased responsibility on heavy industries in South Africa to actively address emission issues. The South African Government plans to use technological advances to identify the main contributors to air pollution in South Africa and to hold these industries and individual companies responsible for their emissions. Government officials have recently stated that South Africa will commit itself to reducing its greenhouse gas emissions by an average of 5.2 percent between 2008 and 2012, in line with Kyoto Protocol adopted in February 2005.

Hazardous waste management is also very topical, and the South African Government proposed far reaching legislation on the banning of asbestos products and by-products in 2006. Active consultations are also being held on rehabilitation of asbestos and other hazardous waste dumping sites, including gold mine dumps and hydrocarbon waste clean up.

Significant demographic pressure on water resources has led to increased attention being paid to water management systems, ranging from water supplies to filtration, recycling and pre-paid metering systems. Efforts by municipalities to address these matters are a cornerstone of meeting the basic needs of rural and peri-urban dwellers. At the same time, industrial water users are looking at the sustainable management of water.

Best Products/Services Return to top

The key sub-sectors that are featured in this report and offer the most opportunities for U.S. companies are:

- Air Pollution Control and Monitoring,
- Waste Water Recycling and Treatment Plants,
- Hazardous Material Containment and Management, and
- Residential Solid Waste Management Technology.

Opportunities Return to top

The Air Quality Act will ensure a well-defined need for large, South African industrial groups to implement emission management and monitoring equipment. There is a definite opportunity for extensive implementation of emission filters and cleaner production technology to assist the large air polluting industries in South Africa to reach their emission limitation targets as set by the South African Government.

Air Pollution Management Equipment

There is demand for monitoring technology to measure emission levels in different industrial zones, as well as technologies and equipment to control and reduce emissions.

Hazardous Waste Management

Opportunities for U.S. companies exists in treatment of hazardous waste sites, containing chemical and hydrocarbon spills and cleaning and rehabilitating asbestos and gold mine dumping sites. The South African Government proposed far reaching legislation on the banning of asbestos products and by-products in 2006. Active consultations are currently being held on rehabilitation of asbestos and other hazardous waste dumping sites. Assessment, management and remediation of contaminated land will also play and important role as a result of new waste legislation that is being considered.

The South African Government is also looking at a road freight management system that will monitor hazardous material shipments and end-use compliance.

Residential and Solid Waste Management

The implementation of so-called integrated waste management plans and policies by municipalities will create opportunities for U.S. suppliers of relevant products and services.

In the short and medium-term, areas of opportunity exist in the provision of residential solid waste technologies and rehabilitation equipment to assist local municipalities to manage their solid residential waste, including transformation into reusable by products, such as fertilizer.

Resources
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Exhibitions and Conferences

Afri-Water – Sustain
Water, Waste and Environmental Exhibition
Venue: Sandton Convention Center
Dates: August 19-21, 2009
Website: www.afriwater.co.za

Key Contacts

Department of Environmental Affairs and Tourism
Website: www.environment.gov.za

Department of Trade and Industry
Website: www.dti.gov.za

Department of Water Affairs and Forestry
Website: www.dwaf.gov.za

Water Research Commission
Website: www.wrc.org.za

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Mining Equipment

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	2005	2006	2007 (*Estimated*)
Total Market Size	73.9	82.1	89.67
Total Local Production	51.7	55	59.5
Total Exports	10.3	12	15.8
Total Imports	29.5	32	45
Imports from the U.S.	8.8	9.7	11.7

Note:
All figures in US$ millions.
Above figures are unofficial estimates obtained from industry sources.
Figures include exploration and extraction equipment, but exclude beneficiation and transportation equipment.
2005 Rand/Dollar exchange rate: US$1 = R 6.37
2006 Rand/Dollar exchange rate: US$1 = R 6.90
2007 Rand/Dollar exchange rate: US$1 = R 7.05

South Africa, in line with the global commodities boom, has seen an unprecedented increase in international and domestic demand and prices for its mineral commodities since about 2003, driven principally by China and supported by growth in India, Russia and a number of countries in the Far East and Europe. Raw and processed mineral-based products account for more than half the country's export revenues and about 54 percent of rail freight. Since the start of the commodities boom, South Africa's mineral revenues have increased, mainly as a result of rising prices, but production has not kept pace with physical demand. Mines had little excess capacity and have been unable to ramp up production in the short term as it typically takes years to develop new capacity in this sector. Further, mainly due to the new mining and BEE (Black Economic Empowerment) regulatory uncertainties, investment in exploration and production lagged behind that of competitors, and this delayed an increase in output. Between 2003 and 2006, South African exploration expenditures increased by 60 percent (mainly for platinum) while the global average increase was 120 percent, and capital investment actually decreased by 33 percent while that in other mineral producing countries increased.

The mining investment drought appears to be over. Trends show a substantial increase in investment, reinforced by government and industry commitments of tens of billions of dollars over the next five years. Government has committed a total of about $70 billion to upgrade and expand power, water and bulk mineral transport infrastructure and this is likely to substantially increase over the next decade. Industry has committed some $20 billion to increase outputs of gold, platinum, coal, iron ore, uranium, nickel, ferro-alloys, titanium and diamonds, among others. Provided that the demand for commodities continues, the country's participation in the commodities boom will have been delayed but not missed.

In 2005-/2006 South Africa was the world's largest producer of PGM's (Platinum Group Metals: gold, chromium, ferrochrome, vanadium, manganese and vermiculite). The industry was also a major supplier of aluminum (world rank eighth), antimony (third), coal (sixth) ferromanganese (third), fluorspar (third), iron ore (ninth), nickel (11th), silicon (seventh), titanium minerals (second), uranium (ninth), zirconium (second) and alumina silicates (second) as well as approximately 50 other minerals.

Three significant issues affecting mining in 2006-2007 were:
- The continued strength of the Rand versus the U.S. Dollar,
- The negative impact of rising input costs, especially energy, and
- Logistical constraints that affected export volume capacities.

The total value of approved mining industry capital projects for 2004-2008 is $14.12 billion. Much of this investment is aimed not only at increasing extractive capacities and beneficiation, but also at bulk material handling.

Best Products/Services Return to top

The South African mining industry is a well-developed and sophisticated sector. Many local equipment and service providers as well as organized events exist to facilitate the distribution of foreign goods or services.

U.S. goods and services in the following fields are well represented in South Africa (although Europe is the largest source region of foreign mining equipment):

- Software,
- Furnaces,
- Drill rigs,
- Automated controls,
- Mining processing,
- GPS mapping,
- Communications systems, and
- Materials handling technology.

Mining safety has been a controversial issue in the recent past, with 200 deaths in 2007. Technology and training systems to increase safety in this sector are seen by all stakeholders as being imperative.

An important recent development in the mining industry has been a trend towards outsourcing of non-core operations (e.g. a mining company that five years ago had 30,000 on its payroll, might today have 4,000 permanent employees and a number of outsourcing relationships).

Opportunities

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Mining and related projects are responsible for significant infrastructure development. For example, 2,200 miles of railway line, three new ports and a large amount of bulk handling infrastructure at other ports are high on the agenda of both the South African Government and mining consortia. Increasing the efficiency of material handling systems is high on the agenda of exporters of ores and minerals.

Significant infrastructure investments include:

- Saldanha Bay iron and steel ore bulk export hub;
- Coega Port infrastructure development focused on the creation of a dedicated rail line for the export of manganese from the Northern Cape, the creation of a chorine plant, as well as an aluminum/steel smelter;
- A planned 65-mile slurry pipeline to the Majuba coal station, as well as a bulk coal handling systems from the Waterberg coalfields for the Groot Geluk power station; and
- Further enhanced bulk material handling systems for coal at the port of Richards Bay.

Export-Import Bank of the United States and U.S. Trade Development Agency have added considerable value to numerous African mining operations and enhanced opportunities for U.S. businesses. (See Chapter 7: Trade and Project Financing for additional information on these agencies.)

Resources

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Exhibitions and Conferences

ElectraMining 2008
Product groups: International and local suppliers of equipment and services for the mining, power generation and electrical industries
Location: Expo Centre, Nasrec, Johannesburg
Date: September 8-12, 2008
Website: http://www.electramining.co.za

Key Contacts

GeoAfrica
Website: www.geoafrica.co.za

Mining Weekly Publication
Website: www.miningweekly.co.za

South African Chamber of Mines
Website: www.bullion.org.za

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Website: http://buyusa.gov/southafrica/en or http://www.ussatrade.co.za

Medical Equipment

Overview

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	2005	2006	2007
Total Market Size	197.5	211.3	220
Total Local Production	56.9	60.8	62.1
Total Exports	46.8	50.0	48
Total Imports	229.4	245.4	248.3
Imports from the U.S.	63.0	73.7	65

Note: All figures in US$ millions
Above figures are unofficial estimates obtained from industry sources
Local production statistics are estimated. Estimated export figures include re-exports.

2005 Rand/Dollar exchange rate: US$1 = R6.37
2006 Rand/Dollar exchange rate: US$1 = R6.90
2007 Rand/Dollar exchange rate: US$1 = R7.05

South Africa's healthcare sector serves approximately forty-four million people. Of these, about 7.5 million people have access to world-class private healthcare facilities and medical aid schemes, leaving the gross mass of the population with access to only the government subsidized public health care system. HIV/Aids and poverty related illnesses such as tuberculosis and water-borne diseases place severe strain on the already over-burdened public health care system.

Overall, healthcare spending in South Africa constitutes around $18 billion, or eight percent of GDP, with fifty percent of total medical spending in the private healthcare and private medical aid sectors.

The three major players in the private healthcare industry include hospital groups include: Healthcare Holdings Limited (Netcare), Life Healthcare and Medi-clinic.

The medical equipment industry is strictly regulated; U.S. companies interested in exporting medical equipment to South Africa need a resident and registered local medical equipment importer to assist them with the local licensing and testing of their proposed equipment.

The South African National Department of Health no longer considers FDA approval of medical equipment sufficient, imported medical equipment has to be EC compliant and SABS tested and approved before an importation license will be granted.

Best Products/Services

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According to trade statistics, the following products have the highest importation rates:

- Medical/surgical instruments and appliances,

- High-tech medical cosmetic equipment and spa machinery,
- Non-invasive surgical equipment,
- Medical needles and catheters,
- Electro-diagnostic apparatus,
- Ultra scanning apparatus,
- Imaging equipment, and
- Patient care monitors.

Analysts expect these import trends to continue over the next two years.

Opportunities Return to top

- Both the public and private sectors remain price sensitive; hence cost-effective products will remain in great demand. Emphasis should be on reliable, low maintenance products.
- Considerable market interest exist for high-tech, non-invasive medical equipment.
- The health spa industry is booming, with an industry growth exceeding 120 percent from 2005. Opportunities exist for international suppliers of spa equipment and consumable products.
- Opportunities exist for companies that supply medical equipment spare parts, to support governmental public hospital refurbishment programs countrywide.
- High-tech ambulance equipment and movable medical clinic facilities should be a future focus for suppliers of medical equipment, as the many rural areas in South Africa provides no medical facilities for the local residents.

Government contributes almost 40 percent of the public healthcare spending, and will continue to focus on upgrading existing public hospital and clinic facilities in the future.

Resources Return to top

South African Department of Health
Website: www.doh.gov.za

South African Medical Devices Association
Website: www.samed.co.za

The Dental Association of South Africa
Website: www.sadanet.co.za

South African Bureau of Standards
Website: www.sabs.co.za

U.S. Commercial Service
Tyrena Holley, Principal Commercial Officer
Cape Town, South Africa
Tel: +27 (0) 21 702 7379
Fax:+27 (0) 21 702 7402
Email: tyrena.holley@mail.doc.gov

Website: www.ussatrade.co.za

Telecommunications Equipment

Overview

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The South African Telecommunications Equipment Market

	2005	2006	2007 (estimated)
Total Market Size	**13.0**	**14.3**	**17.1**
Total Local Production	**6.4**	**7.0**	**8.0**
Total Exports	**3.8**	**4.1**	**5.1**
Total Imports	**6.6**	**7.3**	**9.1**
Imports from the U.S.	**3.8**	**4.2**	**5.1**

Note: All figures are in US$Billions
Above figures are unofficial estimates obtained from industry sources and include fixed line, cellular and broadcasting equipment. Local equipment production includes foreign manufactured parts and components. Telecommunications equipment may also include certain types of components considered to be part of related import requirements and documentation industry sectors.

2005 Rand/Dollar exchange rate: US$1 = R6.37
2006 Rand/Dollar exchange rate: US$1 = R6.90
2007 Rand/Dollar exchange rate: US$1= R7.00

The total size for the South African telecommunications equipment market in 2006 was over $14 billion. This market segment has grown at just under ten percent annually, with further predicted growth in 2007. Local production accounts for approximately 50 percent of total market size, while exports account for less than a third of total market size. In 2006 approximately 50 percent of all imports were from the United States, with an annual growth rate of approximately 20 percent from 2006 to 2007.

Most high-tech telecommunications equipment is imported, and the major international manufacturers are well represented, including: Siemens, Alcatel, Nortel, Avaya, and Motorola. The notable exception is Tellumat, a local manufacturer who is a world leader in the development of private branch exchanges (PBX/PABX) and wireless radio equipment. Most players in this industry distribute imported equipment, and many are now re-exporting to the SADC countries (Angola, Botswana, Lesotho, Namibia, Mozambique, Malawi, Mauritius, Democratic Republic of Congo, Tanazania, Swazilamd, Seychelles, and Zimbabwe).

Fiber cable and ancillary products are also in demand for the Seacom project. Seacom is a U.S.-led submarine broadband cable project. Seacom is a privately funded project that will link from Mtunzini in South Africa to Mumbai in India and Marseille in France via Mozambique, Madagascar, Kenya and Tanzania. Neotel, the second network operator will own the South African landing station and the local facilities, which will include a link to Johannesburg to ease the country's national bandwidth limitations. This cable will run along the East coast of Africa, providing international bandwidth capacity to a region that has until now been reliant on foreign satellites for the bulk of its international connectivity.

Best Prospects/Services Return to top

- Second Generation Network Solutions
- Digital Broadcasting Infrastructure Equipment
- Billing Systems
- Security and Storage Equipment Systems
- Fiber Cable and components

Opportunities Return to top

- The broadcasting industry is planning for the development of digital terrestrial television and digital broadcasting to be covered by digital television by 2010.

- The Seacom project will be a fully integrated multi-technology network, encompassing an undersea fiber optic cable that will link the countries of East Africa to the rest of the world.

- South Africa is hosting the 2010 Soccer World Cup and industry sources predict a growth rate in telecommunication equipment of over 20 percent, beginning in 2007, particularly in the area of Second Generation Network Solutions products and equipment.

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Major Shows

FUTUREX (Johannesburg) 2008
Futurex is a single, unified and definitive event for the Information and Communications Technologies and Electronics industries.
Dates: May 20-23, 2008
Venue: Sandton Convention Center (Johannesburg)
Website: www.futurex.com

FUTUREX (Cape Town) 2008
Dates: September 2008 (dates TBC)
Venue: Cape Town Convention Center
Website: www.futurex.com

MEDIATECH AFRICA 2008
Description: Advanced technology for the broadcast, audiovisual communication, media and staging industry.
Venue: Sandton Convention Center, Johannesburg

Date: TBC
Website: www.mediatech.co.za

Publications

Communication Technologies Handbook
BMI-Technowledge
Contact: Anita Mathews
Tel: +27 (0)11 540 8000; Fax: +27 (0)11 540 8001
Email: ammmm@telkomsa.net
Website: www.bmi-t.co.za

Key Contacts

Department of Communications (DoC)
Website: www.doc.gov.za

Independent Communications Authority of SA (ICASA)
Website: www.icasa.org.za

Telkom South Africa
Website: www.telkom.co.za

Sentech
Website: www.sentech.co.za

Neotel
Website: www.neotel.co.za

Seacom
Website: www.seacominc.com

U.S. Embassy – U.S. Commercial Service
Luisa dos Santos, Commercial Specialist – ICT Sector
Heather Byrnes, Commercial Officer
Johannesburg, South Africa
Tel +27 (0)11 778 4806; Fax +27 (0)11 268 6102
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Website: www.ussatrade.co.za

Information Technology

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Approximately six thousand companies are active in the Information Technology (IT) sector in South Africa, of which two-thirds are located in the Gauteng (Johannesburg/Pretoria) province.

While South Africa is a technologically advanced country offering excellent communications infrastructure, it has a mixture of first world and third world technologies. Major cities such as Johannesburg, Cape Town and Durban enjoy hi-tech infrastructure, however, a large part of the population living in rural areas still lacks basic communications. Despite this, South Africa remains the economic powerhouse for the rest of sub-Saharan Africa and has developed a well-deserved reputation as the "gateway" to other African markets.

ICT is widely recognized as a significant strategic and all encompassing key driver of economic growth and wealth creation and an important enabler to improve quality of life. This has led to high level provincial commitment to establish a strong and vibrant capacity in ICT and Electronic innovation, to enhance the rate, quality of flow and transformation of innovative ideas into new products and businesses.

For much of the past decade, industries in the ICT sector achieved an average annual growth of more than 10 percent – well above the growth rate realized by the global economy as a whole.

Market Trends and Opportunities
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South Africa has a competitive IT market, but is open to innovative IT products and welcomes new products and foreign investments.

The IT sector is anticipated to grow at 8.5 percent in South Africa until 2008, with the Information and Communication Technology (ICT) services industry forecast to experience 10.8 percent growth until 2008.

A recent market survey by Frost & Sullivan reported that the local IT infrastructure outsourcing market earned revenues of between $2.78bn and $3.5bn in 2006 and estimates that this will reach $5.6bn in 2012.

South Africa's IT infrastructure outsourcing market is expanding at a robust rate due to sustained economic growth - although the market is expected to experience some consolidation over the next five years. Key players are increasing their services offerings and areas of expertise through targeted and strategic acquisitions of service providers.

However, market growth is inhibited firstly by the country's skills shortage and secondly, by the high cost of bandwidth. There is hope that that the bandwidth issue will improve in the near future with Telkom's monopoly being challenged and with new projects in the pipeline such as the Seacom cable.

Strong growth opportunities are expected in the private sector as well as in the various government departments. U.S. companies already active in South Africa and those planning to enter the market are expected to benefit from the growing demand for this IT segment, particularly as the country prepares to host the 2010 Soccer World Cup. New entrants may have a competitive advantage in the Systems Information Software sector by offering customized niche products and services to the emerging SME market segment.

The South African market has typically been solutions-driven rather than product-driven, and the country is not a candidate for quick and cheap access to computing, being extremely averse to "dumping" aged technology. Furthermore, local companies want to be assured that international companies and/or potential partners are able to work to their specific needs and requirements. Equally, it is important to understand that Black Economic Empowerment (BEE) policies have and will continue to have a significant impact in terms of public and private procurement.

SA Software Industry SWOT

Strengths

- Exhibit a "can-do" attitude towards innovation and development
- English is business and IT medium
- Strong links with other countries
- Still commands a cost advantage compared to developed markets
- Special skills in certain vertical industries
- Gateway to the rest of sub-Saharan Africa

Weaknesses

- Not generally know as a source in the global IT industry
- High cost of top level technical skill
- Persistently high cost of bandwidth
- Limited venture capital funding
- Fewer government incentives compared to other emerging market software producing countries

Opportunities

- High-level government negotiations to attract foreign investment into South Africa
- In-sourcing high-level systems development, systems integration, maintenance and support
- Exploring the possibility of using SA as a test bed for system integration/configuration for global customers

Threats

- Competition from other countries with a more co-ordinate effort e.g. government initiatives
- Volatile exchange rate

Source: Adapted form Savant Report - 2006

Rescources and Key contacts Return to top

Specialized magazines focusing on IT:

Information Technologies
BMI-Technowledge
Annual publication
Mark Walker, Director
+27-11-803-7840
+27-11-803-6412
mark@bmi-t.co.za

African Communications
Highbury Monarch Communications
Bi-monthly publication
Ms. Anita Perks
+27-21-416-0141
+27-21-421-1250
anita@hfm.co.za

Associations:

Association of Communication & Advertising
www.acasa.co.za

CSSA (Computer Society of South Africa)
www.cssa.org.za

National association of Automotive Manufacturers
www.naamsa.co.za

Internet Service Providers' Association (ISSA)
www.ispa.org.za

Information Technology Association (ITA)
www.ita.org.za

SA Institute of Intellectual Property Law
www.saiipl.org.za

Chambers of Commerce:

American Chamber of Commerce (AMCHAM)
www.amcham.co.za

SA Chamber of Business (SACOB)
www.sacob.co.za

Trade Events:

FUTUREX
Dates: May 20-23, 2008
Venue: Sandton Convention Center, South Africa
Sector: ICTE (Information, Communication, Technology & Electronics)
www.futurex.co.za

For More Information

The U.S. Commercial Service in Johannesburg, South Africa can be contacted via e-mail at: Miranda .Isaakidis@mail.doc.gov; Phone: +27-11-778-48111; Fax: +27-11-268-6102 or visit our website: http://www.buyusa.gov/southafrica/.

The U.S. Commercial Service — Your Global Business Partner

With its network of offices across the United States and in more than 80 countries, the U.S. Commercial Service of the U.S. Department of Commerce utilizes its global presence and International marketing expertise to help U.S. companies sell their products and services worldwide. Locate the U.S. Commercial Service trade specialist in the U.S. nearest you by visiting http://www.export.gov/.

Agricultural Sector

South Africa has a market-oriented agricultural economy with household consumption expenditure on food, beverages and tobacco exceeding $40 billion per annum. It has a highly diversified agricultural sector, which includes the production of all the major grains (except rice), oilseeds, deciduous and subtropical fruits, sugar, citrus, wine and most vegetables. Livestock production includes cattle, dairy, pigs, sheep, and a well developed broiler and egg industry. Value-added activities in the sector include the slaughtering, processing and preserving of meat, processing and preserving of fruit and vegetables, the processing of vegetable and animal oils and fats, dairy products, grain mill products, prepared animal feeds, bakery products, sugar refining, cocoa, chocolate and sugar confectionery amongst other food products.

The agricultural sector currently contributes around 8 percent to South Africa's total export earnings. South African produce, mostly harvested during the Northern Hemisphere winter, has achieved remarkable successes on foreign markets and is well-known for its uncompromising quality. Citrus and deciduous fruit, highly in demand in foreign countries, account for the largest exports. South Africa also exports groundnuts, wine, cut flowers, bulbs, mohair, karakul pelts, sugar, meat and wool - to name just a few.

The value of imports of agricultural products to South Africa exceeds $3 billion annually. The major products imported are plant oils ($400 million), rice ($240 million), poultry meat ($180 million), whiskey ($180 million), soybean oilcake ($150 million), wheat ($145 million), corn ($110 million), and tobacco ($100 million). Currently, United States exports of agricultural, fish, and forestry products to South Africa exceed $180 million. The major products exported by the United States to South Africa in the past included whiskey, wood, animal feed, rice, wheat, corn and nuts. However, with an economic growth rate of more than 5 percent per annum, and a middle class that is getting larger and richer, the demand for high-value products is increasing.

USDA's Foreign Agricultural Service (FAS) in Pretoria prepares more than 50 reports each year on the agricultural situation by commodity sector in South Africa. Some reports highlight opportunities for U.S. farm exports. For U.S. exporters of agricultural products, please start with the Exporter Guide for South Africa (GAIN# SF7036) at http://www.fas.usda.gov/gainfiles

For other sector reports, please look at "Attaché reports" off the main FAS website: www.fas.usda.gov

If you are an exporter of U.S. agricultural products, please feel free to contact the Foreign Agricultural Service in Pretoria for further information at the following address:

Foreign Agricultural Service
U.S. Embassy Pretoria, South Africa
Tel: +27 (0)12 431 4057; Fax: +27 (0)12 342 2264
Email: agpretoria@fas.usda.gov

Overview
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The grain industry (barley, maize, oats, sorghum and wheat) is one of the largest industries of South African agriculture producing between 25 and 33 percent of the total gross value of agricultural production. The industry comprises a number of key stakeholders including input suppliers, farmers, silo owners, traders, millers, bakers, research organizations, financiers, etc. The animal feed industry is an important client and role player in the grain supply chain. Around 4 million tons of grain and 1.5 million tons of oil cake (from imported and locally produced sunflower and soya beans) are used by the animal feed manufacturing industry in South Africa.

Corn is the largest locally produced field crop, and the most important source of carbohydrates in the SADC region for animal and human consumption. South Africa is the main corn producer in the SADC region, with an average production of around 9.6 million tons per annum. Local commercial consumption of corn amounts to about 8.7 million tons and surplus maize is usually exported. Wheat is produced mainly in the winter-rainfall areas of the Western Cape and the eastern parts of the Free State with considerable annual fluctuations in production. Average wheat production has been about 2.1 million tons a year. There is, however, a distinct downward trend in the area planted with wheat over the past few years. Extra wheat is imported to meet local requirements.

South African Grain Market			
	FY 2005	**FY 2006**	**FY 2007**
Total Local Production	13.9 million tons	10.1 million tons	9.0 million tons
Total Exports	$235.9 million	$267.8 million	$46.8 million
Total Imports	$465.4 million	$494.3 million	$629.4 million
Imports from the U.S.	$66.4 million	$20.2 million	$80.1 million

Note: Above figures are from the World Trade Atlas

Food prices are sensitive in South Africa and have become a political issue. For this reason import tariffs are very low for grain products.

The South African grain supply and demand situation changes weekly. For the most accurate up-to-date information please read one of FAS/Pretoria's South African Grain and Feed reports, which are updated monthly at: http://www.fas.usda.gov.

Best Product: Wheat
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South Africa is the only country in the region with significant wheat production. Production has been sporadic over the past ten years because of changing weather conditions but there is also a definite decreasing trend in the area planted with wheat. The official December 2007 wheat crop estimate was 1.8 million tons, a decrease of 290,000 metric tons from the previous year.

Annual wheat consumption in South Africa is about 2.8 million tons, or about 60 kg per capita, the highest in the sub-Saharan region. Its population is growing by 1.7 percent annually, and there is a rapid urbanization of South Africa's major cities.

Wheat Trade				
	FY 2004	**FY 2005**	**FY 2006**	**FY 2007**
Exports	$13.3 million	$6.9 million	$1.3 million	$12.8 million
Imports	$189.9 million	$194.0 million	$165.3 million	$189.9 million
Imports from the United States	$78.8 million	$57.6 million	$15.3 million	$72.1 million

South Africa, with a population of 44 million people, is a growing market and has one of the largest economies in Africa. With wheat consumption exceeding production, wheat imports of at least 1 million tons per year are needed to meet the local demand.

Opportunities Return to top

Contact U.S. Wheat Associates Cape Town office for current opportunities in the South African market for U.S. wheat at: http://www.uswheat.org

Resources Return to top

U.S. Wheat Associates has an office in Cape Town South Africa. They would be happy to help any company interested in purchasing or exporting U.S. wheat. They can be contacted at InfoCapeTown@uswheat.org

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Overview: Hides and Skins Return to top

	FY 2005	FY 2006	FY 2007
Total Exports	$184.8 million	$178.9 million	$216.2 million
Total Imports	$102.1 million	$89.1 million	$116.9 million
Imports from the U.S.	$15.8 million	$0.5 million	$0.2 million

Note: Above Figures are from World Trade Atlas

Many automobile companies (Ford, GM, Volkswagen, BMW, and Daimler-Chrysler, to name a few) have production plants in South Africa and are major consumers of leather. Leather car seats for BMW and Mercedes Benz are also produced for export.

Best Product: Cattle Hides Return to top

Opportunities Return to top

There are opportunities to supply high-quality raw cattle hides for processing into leather for seats and car interiors.

Resources
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Contact the FAS office in Pretoria for assistance exporting to South Africa at: AgPretoria@fas.usda.gov.

Overview: Wood Products
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	FY 2005	FY 2006	FY 2007
Total Exports	$566 million	$437 million	$396 million
Total Imports	$312 million	$330 million	$383 million
Imports from the U.S.	$23 million	$19 million	$21 million

Note: All figures in US$ Million
Above Figures are from World Trade Atlas

Best Product: Wine Barrels, and Staves for Barrels
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Demand for wine barrels is increasing in South Africa. As South Africa does not produce white oak, it must import all of its wine barrels and staves. Wine producers currently have a preference for French oak barrels, but that preference is based solely on perception. With a little marketing effort, there is no reason why a U.S. exporter couldn't capture this market share.

	FY 2005	FY 2006	FY 2007
France	$21	$19	$20
United States	$1.1	$1.1	$1.7
Australia	$.57	$.91	$.67
The World	$25	$22	$24

Note:
All figures in US$ Million
Above Figures are from the Global Trade Atlas

Opportunities
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Market research shows that winemakers may remain loyal to a particular oak stave manufacturer in order to maintain product consistency, so it might be wise to link up with a winemaker who is expanding production and establishing new wine labels.

Resources
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The South Africa Wine Association might be willing to put oak stave manufacturers in touch with wine producers. Please look at the website at www.wosa.co.za for more information.

Overview: Alcoholic Beverages
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South Africa is a net exporter of alcoholic beverages; however, imports of alcoholic beverages have been increasing over the past few years. In 2007, alcoholic beverage imports increased 50 percent from the previous year. Whiskies are the category of alcoholic beverages that has grown the most.

Over the last few years, a wide range of new imported products has become available in the market. South Africa tastes and preferences are becoming more sophisticated and the average consumer is increasingly expecting a wide range of products on retail shelves. Traditionally, the South African distilled spirits consumer has preferred Scotch whisky and brandy. Recent trends indicate that consumers are turning to new and innovative distilled spirits, including a greater prominence in townships. Openness to new products and increasing disposable income help create a positive climate for the sale and promotion of U.S. distilled spirits. However, price sensitivity, rather than brand loyalty, rules the consumer's purchasing behavior.

Assisted by the strong rand/dollar exchange rate, the South African appetite for U.S. spirits has grown over the last three years. U.S. exports of distilled spirits to South Africa increase from $25.3 million in FY 2005 to $27.6 million in FY 2006 and to $29 million in FY 2007.

Distilled Spirits

	FY 2005	FY 2006	FY 2007
Total Exports	$29.5	$29.5	$38.2
Total Imports	$91.1	$119.9	$157.6
Imports from the U.S.	$25.3	$27.6	$29

Note:All figures in US$ Million
Above Figures are from World Trade Atlas

Best Products: Bourbon Return to top

In FY 2006, the U.K held 66.6 percent of the whisky market share while the United States held only 13.8 percent. However, the United States increased whisky exports to South Africa in FY 2007 and has seen an annual growth over the past five years. This growth may be due, in part, to a South Africa preference for successfully promoted U.S. branded bourbon. This preference should help other U.S. products be more competitive in South Africa and may lead to the growth of other U.S.-branded, high value distilled spirits. Distilled spirit marketers might wish to target the expanding Black middle and upper classes since this group likely has fewer loyalties to the competition, Scotch and brandy.

Resources Return to top

The Distilled Spirits Council of the United States can help U.S. distillers with market information and advice on how to export to South Africa (http://www.discus.org/).

Overview: Poultry Return to top

South Africa's poultry market, mainly chicken, is estimated to have grown by 11 percent to $2.1 billion for the financial year to 31 March 2007, contributing approximately 16 percent of the total gross value of primary agriculture in South Africa. Driven by demand factors, poultry production is becoming big business in South Africa. Domestic demand for poultry meat is growing by about seven percent per annum, which outstrips the performance of any other proteins on the market. The steady growth of South Africa's economy is the main overall driver for the increased demand for poultry meat. Rising living standards are pushing increasingly more consumers towards protein-filled diets, health awareness and convenience. South Africans now eat more than double as much poultry as in the 1970's. Expectations are that this growth in poultry meat consumption will continue.

Best Product: Fresh/Frozen Chicken Parts return to top

Imports increased substantially over the past few years and amounted to $184 million or 293 thousand tons in 2006. Expectations are that imports will increase to more than 300 thousand tons in 2007. Imports represent approximately ten percent of the total value of the poultry market in South Africa or more than 20 percent of production.

Brazil is the most important trading partner for South Africa in terms of poultry meat, having more than 70 percent of the import market. Canada,11 percent of imports, and Argentina, seven percent of imports, are respectively the second and third most important trading partners for South Africa in terms of poultry meat.

Poultry

	FY 2005	FY 2006	FY 2007
Total Exports	$4.5 million	$3.8 million	$5.1 million
Total Imports	$146 million	$174 million	$ 214 million
Imports from the U.S.	$1.6 million	$4.9 million	$5.9 million

Note: All figures in US$ Million
Above Figures are from Global Trade Atlas

Opportunities Return to top

United States poultry exports to South Africa have been constrained by anti-dumping duties since 2000. However, chances are very good that the anti-dumping duty will be abolished soon, which will open the South African market for United States poultry imports.

Strong demand for fresh /frozen chicken will continue and with the elimination of anti-dumping duties, the United States can compete with the current top suppliers to the South African market.

Resources Return to top

The U.S.A. Poultry and Egg Export Council can help U.S. exporters with market information and advice on how to export to South Africa (http://www.usapeec.org).

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Chapter 5: Trade Regulations, Customs and Standards

Import Tariffs

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As a result of the Uruguay Round in 1994, South Africa reformed and simplified its tariff structure. Tariff rates have been reduced from a simple average of more than 20 percent to 5.8 percent. Notwithstanding these reforms, importers have complained that the tariff schedule remains unduly complex, with nearly forty different rates. Tariff rates mostly fall within eight levels ranging from 0 percent to 30 percent, but some are higher (e.g. most apparel items).

Nearly all of South Africa's specific and composite duties were converted to *ad valorem* rates (a tax, duty, or fee which varies based on the value of the products, services, or property on which it is levied), with a few exceptions remaining in a limited number of sectors, including textile and apparel products. In the Uruguay Round, South Africa agreed to a twelve-year phase-down process. The end rate for apparel is 40 percent, yarns 15 percent, fabrics 22 percent, finished goods 30 percent, and for fibers 7.5 percent. The effective rated duty rates on cars, light vehicles, and minibuses is still at the high level of 34 percent, while the rate of duty on original motor parts is 20 percent.

The dutiable value of goods imported into South Africa is calculated on the f.o.b. price in the country of export, in accordance with the GATT Customs Valuation Code. The value for customs duty purposes is the transaction value: the price actually paid or payable. In cases where the transaction value cannot be determined, the price actually paid for similar goods, adjusted for differences in cost and charges based on distance and mode of transport, is regarded as the transaction value. If more than one transaction value is determined, the lowest value applies. Alternatively, a computed value may be used based on production costs of the imported goods. In the case of related buyers and sellers, the transaction value will be accepted if, in the opinion of the Commissioner for Customs, the relationship does not influence the price, or if the importer shows that the transaction value approximates the value of identical or similar goods imported at or about the same time.

Dutiable weight for the assessment of specific duties is the legal weight of merchandise, plus the weight of the immediate container in which the product is sold, unless specified otherwise in the tariff.

The value-added tax (VAT) is 14 percent. VAT is payable on nearly all imports. However, goods imported for use in manufacturing or resale by registered trades may be exempt from VAT.

Specific excise duties are levied on tobacco, tobacco products, and petroleum products. Duties on alcoholic beverages are set at fixed percentages of the retail prices. Ad valorem excise duties are levied on a range of "up market" consumer goods. The statutory rate is currently ten percent (except that most office machinery, as well as motorcycles, have a duty of five percent). Various provisions for rebate of duty exist for specific materials used in domestic manufacturing. The importer must consult the relevant schedules to the Customs and Excise Act to determine whether the potential imports are eligible for rebate duty. Information can be found on the International Trade Administration Commission of South Africa's website at: www.itac.org.za.

Trade Barriers

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U.S. companies have cited protective tariffs as a barrier to trade. Other barriers to trade often cited include port congestion, technical standards, customs valuation above invoice prices, theft of goods, import permits, antidumping measures, IPR crime, an inefficient bureaucracy, and excessive regulation. For additional information on trade barriers for the Southern Africa Customs Union that includes South Africa, please see the National Trade Estimate Report on Foreign Trade Barriers published by the Office of the U.S. Trade Representative at:
http://www.ustr.gov/Document_Library/Reports_Publications/Section_Index.html.

Tasked with efficiently and effectively administering South African trade laws, the International Trade Administration Commission (ITAC) continues to receive requests for tariff protection from a number of industries in South Africa. For additional information on ITAC's responsibilities (tariff administration, trade remedies, and import and export controls) please visit its website at: www.itac.org.za.

Import Requirements and Documentation

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Customs South Africa (Customs SA), a division of the SA Revenue Service, has become increasingly strict with the requirement to be registered as an importer with its office and to obtain an importer's code from SARS. This impacts many importers and may cause delays to clearance of goods.

In October 2006, the South African Revenue Service introduced a Single Administrative Document (SAD) to facilitate the customs clearance of goods for importers, exporters and cross-border traders. The SAD is a multi-purpose goods declaration form covering imports, exports, cross border and transit movements. While the SAD has changed some forms, it has not altered the process of customs clearance. To that end, the following is still required for shipments to South Africa:

- For customs purposes in South Africa, one negotiable and two non-negotiable copies of the Bill of Lading are required. The Bill of Lading may be made out either "straight" or "to order".
- A Declaration of Origin Form, DA59, is to be used in cases where a rate of duty lower than the general rate is claimed and, also, for goods liable to anti-dumping or countervailing duty. It is a prescribed form with stipulated format, size and content. This form does not require Chamber of Commerce certification. One original signed copy of the form must be attached to the original commercial invoice covering goods, which require such a declaration.
- Four copies and one original Commercial Invoice are required. Suppliers must give, in their invoices, all data necessary for the importer to make a valid entry and for the South African customs to determine value for duty purposes. Invoices from suppliers will not be accepted as satisfying the requirements of the customs regulations unless they state, in addition to any proprietary or trade name of the goods, a full description of their nature and characteristics together with such particulars as are required to assess the import duty and to compile statistics.
- One copy of the insurance certificate is required for sea freight. Follow the importer's and/or insurance company's instructions in other matters.
- Three copies of the Packing List are required. Data contained in this document should agree with that in other documents.

Import licenses are required for restricted items. Importers must possess an import permit prior to the date of shipment. Failure to produce a required permit could result in the imposition of penalties. The permit is only valid in respect of the goods of the class and country specified. It is non-transferable and may only be used by the person to whom it was issued. Import permits are valid only for the calendar year in which they are issued.

Import permits required for specific categories of restricted goods are obtainable from the Director of Import and Export Control at the Department of Trade and Industry.

Department of Trade and Industry
International Trade Administration Commission (ITAC)
Import Control
Private Bag X753, Pretoria, 0001
Tel: +27 (0)12 394 3590/1; Fax: +27 (0)12 394 0517
Website: www.itac.org.za

An exhaustive SARS import manual appears here:
http://www.sars.gov.za//ce/SAD/SAD%20Import%20Manual-%20V%201.3%202006%2010%2001.pdf

A review of SARS Customs procedures appears here:
http://www.sars.gov.za//ce/Brochures/SC-CF-02%20-%20An%20Overview%20of%20South%20African%20Customs%20Procedures%20-%20Brochure%20-%202004.pdf

U.S. Export Controls Return to top

In December 2005, South Africa acceded to the Wassenaar Arrangement. South African "listed" items are those that appear on the Department of Commerce Control List. These require a license to be exported to South Africa based on the Export Control Classification Number and the Country Chart. These items are detailed on the following U.S. Department of Commerce's Bureau of Industry and Security website: www.gpo.gov/bis/ear/ear_data.html

The Country Chart, which includes South Africa, is in Part 738. The Commerce Control List is in Part 774; there are ten categories that can be pulled up as separate files.

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South Africa has a variety of mechanisms to facilitate the temporary importation of mostly commercial goods and services.

1. Carnet Entry (also known as ATA Carnet)

South Africa is a member of the ATA Convention (see: http://www.atacarnet.com/ata-carnet-info.htm).

Typically, the following goods are eligible to qualify for Carnet entry:
1. Commercial samples;
2. Goods for international fairs and exhibitions, and
3. Professional equipment (including tools and instruments, but not goods for processing or repair).

The exporter must provide a letter stating that the exporter/carnet holder authorizes the customs clearance agent to clear the shipment on its behalf and may deliver to the consignee addressed therein. This letter from the carnet holder is to accompany the carnet document. SARS will not process carnet clearance without this letter. No duty or VAT is payable on carnet shipments. On export the same carnet is used.

2. Temporary Entry

The shipping agent both in the United States and its correspondent customs clearance agent in South Africa must be notified that a shipment is only intended to remain in South Africa for a limited period. The customs clearance process will include a "Provisional Payment" (PP) that is valid for a period of six months; however the shipment must be exported within this time. If export is to take longer, a formal extension request must be submitted to the South African Revenue Service (SARS – Customs and Excise) before the six-month period has expired.

On import, the serial numbers of all the goods must be indicated on the documentation (invoices from shipper). The shipment will be stopped by customs for examination and customs will verify the serial numbers & endorse the documentation. On export, the same procedure is followed so as to verify that the same goods are leaving the country. The PP will cover any customs duty and VAT applicable to shipment. After export, this

PP is then liquidated by means of submitting the import and export documentation and requesting the refund.

3. Repair and Return Entry

The shipping agent, both in the United States and its correspondent customs clearance agent in South Africa, must be notified that the shipment in question is for repairs, or a return shipment for repairs performed in the United States. On export, the serial numbers are to be stated on invoices; examination will be done by SARS. On import, serial numbers are to be stated on invoices, examination will be done by SARS. No duty is payable as duty was paid on the first import into the country. VAT is however payable on repair costs only, even though value of goods is declared to SARS as well.

The above is in accordance with SARS rebate item 409.04. In order to make use of this rebate item, the importer must comply with the following provisions.

1. Goods are returned to original exporter and there is no change of ownership;

2. The essential characteristics of product remain the same. There are no alterations made to goods (i.e. just repairs). Goods exported under customs supervision with export documents SAD 500 and DA65 must be produced at time of import clearance. These documents are available electronically at:
http://www.sars.gov.za//ce/SAD/SAD%20500%20Customs%20Declarations%20Form%202006%2008%2029.pdf
http://www.sars.gov.za/ce/Forms/DA%2065%20-%20REGISTRATION%20OF%20GOODS%20FOR%20RE-IMPORTATION.pdf

3. The goods must be identifiable by the serial numbers on the goods.

If these provisions cannot be met, the importer will have to enter the goods as a Duty Paid (DP) clearance (i.e., as a new import that has not previously been exported). The full value, which consists of the export value plus any cost of repair, must be declared.

If the goods are repaired under warranty, the cost of repair will not be dutiable, provided the importer can prove the following:

1. The duty was paid on first importation of the goods in question (again by use of serial numbers);
2. The warranty is in force at time of re-importation;
3. All criteria in terms of rebate item 409.04 are complied with; and
4. That warranty agreement is available for Customs if requested.

Labeling and Marking Requirements Return to top

South Africa has a well-developed regulatory standards environment that oversees the labeling and marking regime.

The South African Bureau of Standards (the SABS, a specialized agency of the Department of Trade and Industry) and its accredited divisions and agents, is the national standards, homologation, and accreditation authority. It oversees labeling and marking in the following newly defined categories:

- Chemicals,
- Electrotechnical,
- Food and Health
- Mechanical and Materials,
- Mining and Minerals,
- Services, and
- Transportation.

An exhaustive listing of the relevant technical specifications by product is given at http://www.sabs.co.za/ (see Commercial Services).

SABS is responsible for the issuing of LOA's (Letter of Authorities), i.e. the control documentation on the importation of several items where certain standards must be met. Imports into South Africa have to be specifications compliant for that given product or the relevant application. If an imported product does not bear a quality or standards specification marking, the importer will finally be liable for the quality of the product. Established importers will therefore want to divest themselves of this liability by ensuring the product under discussion is specifications compliant and bears the relevant standards marking.

The marking and labeling often revolve around the five categories listed above to ensure consumer and environmental protection. Often the importer will insist that the foreign manufacturer affixes these ex-works. Only in exceptional cases will the importer, wholesaler or retailer at the bulk break stage be prepared to affix these labels and markings. Labeling and marking requirements pertain mainly to textiles, shoes and bags where a permanent label identifying the manufacturer and country of origin must be displayed. This process is administered by ITAC.

It is common practice for retailers to insist that imported technical goods carry safety instructions or other user guides in the English language. Pictures and/or diagrams often supplement English user instructions. While liability laws and conventions in South Africa are not as onerous as in the United States, the retailer, wholesaler and importer are all desirous to reduce their liability to a minimum. South African legal practice follows the precepts of both English Commercial Law, as well as Roman Dutch civil law.

It is also common practice for the user instructions to reflect details of the official South African service agent for the product, and less often, the importer of the product. This user instruction will also indicate the South African warranty aspects.

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The importation of the following goods into South Africa is prohibited:

- Narcotic and habit-forming drugs in any form;

- Fully automatic, military and unnumbered weapons, explosives and fireworks;
- Poison and other toxic substances;
- Cigarettes with a mass of more than 2 kg per 1,000;
- Goods to which a trade description or trademark is applied in contravention of any Act, (for example counterfeit goods);
- Unlawful reproductions of any works subject to copyright; and
- Prison-made and penitentiary-made goods.

Each year DTI publishes a list of goods requiring import permits in an annual Import Control Program, which covers imports from any country. The Directorate of Import and Export Control with the DTI administers the issuance of permits, though for some imports additional and prior authorization may be required from other departments.

The Minister of Trade and Industry may, by notice in the Government Gazette, prescribe that no goods of a specified class or kind be imported into South Africa, except under the authority of, and in accordance with, the conditions stated in a permit issued by ITAC. The main categories of controlled imports are as follows:

- Used goods: ITAC may grant import permits on used goods or substitutes if not manufactured domestically, thus creating a *de facto* ban on most used goods. While designed to protect the domestic manufacture of clothing, motor vehicles, machinery, and plastics, these restrictions limit imports of a variety of low-cost used goods from the United States and Europe;

- Waste, scrap, ashes, and residues: The objective of import controls on these goods is to protect human health and the environment under the Basel Convention;

- Other harmful substances: Imports of substances such as ozone depleting chemicals under the Montreal Convention and chemicals used in illegal drug manufacturing under the 1988 United Nations Convention are controlled for environmental, health, and social reasons; and

- Goods subject to quality specifications: This restriction permits the monitoring of manufacturing specifications that enhance vehicle safety (such as in the case of tires) or protect human life.

A phytosanitary certificate is required for the importation of lard, bacon, ham, hides and skins, animal hair and bristles, and honey products. These certificates are issued by the Department of Agriculture. The other products that require import permits include: fish and fish products, residues, petroleum products, firearms and ammunition, gambling equipment, and radioactive chemical elements.

Customs Regulations and Contact Information Return to top

The South African Revenue Service, a division of the Department of Finance/Treasury, administers import duties and controls. The latter are implemented in consultation with the Department of Trade and Industry.

SARS - Customs and Excise - Johannesburg
Postal Address- Customs and Excise
Private Bag X21, Marshalltown
Johannesburg 2107
Tel: +27 (0)11 225 9000; Fax: +27 (0)11 225 9013
Website: http://www.sars.gov.za/

Standards

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Overview

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The South African Bureau of Standards (SABS) is a specialized South African statutory agency responsible for the promotion and maintenance of standardization and quality relating to commodities and the rendering of services. Its tasks include:

- Publishing national standards,
- Testing and certifying products and services to standards,
- Developing technical regulations (compulsory specifications),
- Monitoring and enforcing of legal metrology legislation,
- Promoting design excellence, and
- Providing training on aspects of standardization.

SABS is accredited nationally by the South African Accreditation System (SANAS), and is recognized internationally by Netherlands-based Raad voor Accreditatie (RvA). SABS belongs to both the International Organization of Standardization (ISO) and the International Electrotechnical Commission (IEC). Accordingly, it issues pharmaceutical and industrial standards that conform to those of the ISO.

All SABS standards are in the process of being renamed as South African National Standards (SANS). This change is being carried out to make the numbering system simpler and easier to understand. The conversion will be a lengthy one and will extend into 2008.

SABS follows the standards of the ISO, the IEC and the European Committee for Standardization (CEN) and does not automatically recognize the standards of the United

States. British Industry Standards and the Deutsche Industrienorm are favored in the SABS systems for historic and technical reasons. Products sourced from these countries enjoy quasi-automatic accreditation.

U.S. standards are not incorporated as standard in South Africa and are hence reviewed on a case-by-case basis by the South African Standards Authorities. In practice, U.S. companies have been able to comply with South African standards when importing goods into South Africa. Based on a survey of U.S. firms already established in South Africa, the standards maintained by SABS have not been a major trade-inhibiting factor; the automotive sector is one exception that is receiving more attention.

Manufacturers have the option of paying SABS to test and approve their products. This option is rarely exercised. Though SABS possesses the right to terminate the sale of products if it receives enough complaints, there have been very few cases of this happening.

The standards issued by the SABS are in accordance with the Environmental Conservation Act and are enforced on all imports and exports. All foreign companies establishing themselves in South Africa need to have their Environmental Management System (EMS) certified. This certification needs to be updated every year in order to ensure that the company is observing South African standards.

The Directorate of Plant Health and Quality within the National Department of Agriculture (http://www.nda.agric.za) is responsible for setting standards for certain agricultural and agricultural-related products. These standards cover aspects such as composition, quality, packaging, marketing, and labeling as well as physical, physiological, chemical, and microbiological analyses.

The Standards Act 29 of 1993 gave SABS the power to involve itself in the regulatory area of consumer protection. There are voluntary and compulsory standards. At the end of 2007, only 53 of SABS's approximately 5,000 standards were actually mandatory. However, depending on the laws, other standards may be considered compulsory as well (i.e., electricity standards) and it may create uncertainty for businesses.

With regard to consumer protection, recent reports indicate that SABS will take a tougher line on companies that violate mandatory standards. Other proposed reforms would impose Organization for Economic Co-operation and Development (OECD) standards in South Africa. While this may not always be strictly enforced, the possibility of more stringent consumer protection regulation is something that companies need to take into account.

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List of South African Standards Organizations:

South African Bureau of Standards (SABS) - the South African government agency responsible for standards.
Website: http://www.sabs.co.za

Council for Scientific and Industrial Research (CSIR) – research organization aiming to promote economic growth in southern Africa.
Website: http://www.csir.co.za

Engineering Council of South Africa (ECSA) – statutory body focused on promoting high standards of engineering work.
Website: http://www.ecsa.co.za

National Department of Agriculture (NDA) – government agency responsible for setting standards for certain agricultural and agricultural-related products.
Website: http://www.nda.agric.za

Department of Health – government organization that aims at increasing the quality of medical care in South Africa.
Website: http://www.doh.gov.za

SADC Stan – SADC Cooperation in Standardization. The Southern African Development Community (SADC) constitutes fourteen member states, and has the goal of harmonizing member countries' standards and technical regulations. It is reliant on the capacity of primarily the SABS for its operations.
Website: http://www.sadcstan.co.za.

NIST Notify U.S. Service
Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries. **Notify U.S.** is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets. Register online at Internet URL: http://www.nist.gov/notifyus/

Conformity Assessment Return to top

The following is a list of the major South African organizations involved in conformity assessment:

SABS - South African Bureau of Standards, a government agency regulating standards.
Website: http://www.sabs.co.za

Human Science Research Council (HSRC) – works with non-governmental organizations (NGOs), international development agencies, and the government on large-scale, social-scientific projects. It is also involved in the homologation of academic standards.
Website: http://www.hsrc.ac.za

Medicines Control Council (MCC) – body that regulates medicine in South Africa.
Website: http://www.mccza.com

Product Certification

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Important points concerning product certification:

- Electrical products need to receive Electromagnetic Interference (EMI) certification.
- A mutual recognition agreement (MRA) exists between the Engineering Council of South Africa (ECSA) and the Accreditation Board for Engineering and the Accreditation Board for Engineering and Technology, Inc. (ABET) in the United States.
- All medicines must be certified by the MCC
  Website: http://www.mccza.com/
- Electro-medical products, such as x-ray devices need certification from the Radiation Control Council, a directorate of the Department of Health
  Website: http://www.doh.gov.za/index.html

Accreditation

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The following is a list of organizations involved in accreditation in South Africa:

South African National Accreditation System (SANAS) – Organization that awards official recognition that laboratories, certification bodies, inspection bodies, proficiency testing scheme providers and good laboratory practice (GLP) test facilities possess the capability to carry out certain tasks. Electronic equipment must be tested at labs accredited by SANAS.
Website: http://www.sanas.co.za

International Laboratory Accreditation Cooperation (ILAC) – International body that determines whether laboratories are able to perform specific tasks.
Website: http://www.ilac.org

International Accreditation Forum (IAF) – Accreditation organization whose members are required to maintain high standards when accrediting companies.
Website: http://www.iaf.nu

Publication of Technical Regulations

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The SABS is the statutory repository of all relevant standards. These can be obtained in electronic format from the SABS:
https://www.sabs.co.za:/Business_Units/Standards_SA/index.aspx?Services_LeftLinks_StandardsSA1:MenuLink1=6

All proposed and final technical regulations are published in the *Government Gazette*. To subscribe to the printed (hard copy) of the *Government Gazette*, please contact:

The Government Printing Works
E-mail: jpe@print.pwv.gov.za
Tel: +27 (0)12 334 4737/4734; Fax: +27 (0)12 323 0009

Access to the Government Gazette is available online through a fee-based service provided by Sabinet Online Ltd. For additional information, visit www.sabinet.co.za.

Labeling and Marking

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Important points on labeling/marking:

- Labeling/marking for industrial and pharmaceutical imports has to be provided in English. South Africa follows the Harmonized System (HS) and belongs to the Southern African Customs Union (SACU); an organization that permits goods to be exchanged practically unhindered amongst the member states; South Africa (the principal administrator and revenue collector), Lesotho, Swaziland, Botswana and Namibia.

- In January 2004, the South African government issued new regulations mandating the labeling of genetically modified food products under certain circumstances, including when allergens or human/animal proteins are present and when a GM food product differs significantly from a non-GM equivalent. The new rules also required validation of enhanced-characteristic (e.g., "more nutritious") claims for GM food products. The regulations did not address labeling claims that products are GM-free. Biotechnology advocates are concerned about this omission, noting it could lead to fraudulent claims. Trade organizations seem satisfied with the regulations, which follow internationally recognized, scientific guidelines (under the Codex Alimentarius Commission (Codex) (www.codexalimentarius.net)). South Africa's Codex representative comes from the Directorate of Food Control. For more information, see: http://www.doh.gov.za/department/foodcontrol/docs/explain.html.

Contacts

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The South African Bureau of Standards
Head Office
Pretoria
Postal Address: Private Bag X191, Pretoria 0001
Street Address: 1 Dr Lategan Rd., Groenkloof
Tel: +27 (0)12 428 7911; Fax: +27 (0)12 344 1568
Website: http://www.sabs.co.za/

Department of Agriculture
National Department of Agriculture (NDA)
Postal Address: Private Bag X250, Pretoria 0001
Street Address: Agricultural Building, 20 Beatrix Street, Arcadia, Pretoria

Tel: +27 (0)12 319 6001; Fax: +27 (0)12 325 7394
Website: http://www.nda.agric.za/

Trade Agreements

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There is duty-free trade between South Africa and the other four countries (Botswana, Lesotho, Namibia, and Swaziland) comprising the Southern African Customs Union (SACU). The Southern African Development Community (SADC) Free Trade Agreement should also allow duty-free trade among the 14 countries of the region when it comes into full effect. The European Union – South African Trade and Development Cooperation Agreement, which came into effect in 2000, will result in substantially free trade between South Africa and the European Union by 2008. South Africa has also negotiated agreements with the European Free Trade Association and Mercosur.

Traders are subject to exchange control approval, administered by the South African Reserve Bank. The Department of Trade and Industry (DTI) is empowered to regulate, prohibit or ration imports to South Africa in the national interests, but most goods may be imported into South Africa without any restrictions. As a matter of government policy, the South African Government is aiming to open its market still further in order to increase trade and to develop more competitive domestic industries; the South African Government in 2006 made exceptions to this approach in order to protect the labor-intensive garment industry.

Web Resources

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ATA Carnets
http://www.atacarnet.com/ata-carnet-info.htm

Bureau of Industry and Security, U.S. Department of Commerce
http://www.bis.doc.gov

Codex Alimentarius Commission (Codex)
www.codexalimentarius.net

Council for Scientific and Industrial Research
http://www.csir.co.za

Department of Health
http://www.doh.gov.za

Department of Trade and Industry
www.thedti.gov.za

Directorate of Plant Health and Quality/National Department of Agriculture
http://www.nda.agric.za

Engineering Council of South Africa
http://www.ecsa.co.za

Human Science Research Council
http://www.hsrc.ac.za

International Accreditation Forum
http://www.iaf.nu

International Laboratory Accreditation Cooperation
http://www.ilac.org

International Trade Administration Commission of South Africa
www.itac.org.za

Medicines Control Council
http://www.mccza.com

National Department of Agriculture
http://www.nda.agric.za

Office of the U.S. Trade Representative
http://www.ustr.gov

Sabinet Online Ltd.
http://www.sabinet.co.za

South African National Accreditation System
http://www.sanas.co.za

South African Revenue Services
http://www.sars.gov.za

The South African Bureau of Standards
http://www.sabs.co.za

U.S. Commercial Service South Africa
http://buyusa.gov/southafrica/en or http://www.ussatrade.co.za

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Chapter 6: Investment Climate

Openness to Foreign Investment Return to top

The government of South Africa is open to foreign investment, which it views as a means to drive growth, improve international competitiveness, and obtain access to foreign markets. Virtually all business sectors are open to foreign investors. No government approval is required, and there are almost no restrictions on the form or extent of foreign investment. Trade and Investment South Africa (TISA), a division of the Department of Trade and Industry (DTI), provides assistance to foreign investors. The agency concentrates on sectors in which research has indicated that the country has a comparative advantage. TISA offers information on sectors and industries, consultation on the regulatory environment, facilitation for investment missions, links to joint venture partners, information on incentive packages, assistance with work permits, and logistical support for relocation. DTI publishes the "Investor's Handbook" on its website: http://www.thedti.gov.za/ (see "publications").

Over the past decade, macroeconomic management has been strong, resulting in a strengthened rand and a consistently positive rate of economic growth. Since 1994, the government has sought to liberalize trade and enhance international competitiveness by lowering tariffs, abolishing most import controls, undertaking some privatization, and reforming the regulatory environment. While this has resulted in several large acquisitions in banking, telecommunications, tourism, and other sectors, foreign direct investment has fallen short of the government’s expectations. In January 2005, Moody's assigned South Africa a sovereign debt rating of Baa1, three steps into investment grade, and raised the outlook from stable to positive in June 2007.

To alleviate high unemployment (25.5 percent as of March 2007), the government has focused on quickening the pace of economic growth and job creation. Given steady domestic investment and the relative lack of foreign direct investment, the government is convinced that the public sector must take the lead by investing in the nation's inadequate infrastructure. Under the government's new Accelerated and Shared Growth Initiative of South Africa (ASGISA), unveiled in 2006, state-owned enterprises plan to invest more than $50 billion over the next four years, mainly on transportation infrastructure, telecommunication networks, and energy. Other key elements of ASGISA include labor market reform, improved delivery of public services, skills development, a revamped industrial policy, and support to small business.

In August 2007, the DTI launched its National Industrial Policy Framework, and accompanying Industrial Policy Action Plan, to promote a more labor-absorbing and broader-based industrialization path in four lead sectors: capital or transport equipment; automotive; chemical, plastic fabrication and pharmaceuticals; and forestry, paper and furniture. Business process outsourcing, clothing and textiles, tourism, and biofuels were also identified for immediate attention. The Policy Framework anticipates initiatives in the form of tariff reductions, increased industrial financing, and additional incentives for investors.

A 2005 survey of South African businesses sponsored by the World Bank and DTI queried domestic and foreign firms about South Africa's investment climate. Constraints most often mentioned were the lack of skilled labor, the strong rand limiting exports, labor relations, and crime. A 2005 survey conducted by the American Chamber of Commerce in South Africa reinforced these views.

In January 2004, President Mbeki signed the Broad-Based Black Economic Empowerment Act of 2003, the legislation enacting the Black Economic Empowerment (BEE) strategy, a program to increase the participation in the economy of historically disadvantaged South Africans. The Act directed the Minister of Trade and Industry to develop a national strategy for BEE, issue implementing guidelines in the form of Codes of Good Practice, encourage the development of industry-specific BEE charters, and establish a National BEE Advisory Council to review progress on BEE targets. While firms are not legally required to meet BEE criteria, they are less competitive for government tenders if they do not.

On December 6, 2006 cabinet approved Codes of Good Practice specifying BEE requirements. These codes deal with employment equity, skills development, enterprise development, preferential procurement, and small and medium-sized enterprises. They also permit multinational corporations to score equity ownership “points” through the use of mechanisms not involving the transfer of equity if these mechanisms are approved by DTI and the multinationals have a global corporate policy of owning 100 percent of the equity in their subsidiaries. The American Chamber of Commerce and many individual U.S. companies had pressed for the right to use such "equity equivalent" mechanisms. These Codes were published in the Government Gazette in February 2007.

A firm's BEE “score” will be considered by government departments when awarding contracts. The BEE Codes of Good Practice and other pertinent BEE legislation may be found on DTI's website: http://www.thedti.gov.za/.

Following national elections in April 2004, the government unveiled plans to restructure most of the remaining state-owned enterprises rather than proceed with plans for privatization. Transnet (transportation) is focusing on core sectors that support its freight transport and logistic business. Assets or businesses that are not part of this strategy are in the process of being sold to the private sector or being transferred back to the government. SA Express, Transnet's remaining aviation interest, will be transferred to the Department of Pubic Enterprises, Transtel Telecom was sold to Neotel, and the disposal of Luxrail (The Blue Train), Autopax, a passenger bus operation, and the IT service subsidiary arivia.kom are underway. The Department of Minerals and Energy (DME) has tendered and awarded a preferred bidder status to AES for a 1000 MW power project. Other opportunities for private investment in the power sector are likely to follow with the DME's announced policy to grant up to 30 percent of new energy projects to the private sector. The planned privatization of smaller parastatals, such as Safcol (forestry) and, in the case of Denel (Defense), with partial buy-ins by foreign suitors of Denel subsidiaries, also afforded opportunities for foreign investment.

Conversion and Transfer Policies

The Exchange Control Department at the South African Reserve Bank (SARB) administers foreign exchange policy. An authorized foreign exchange dealer, normally one of the large commercial banks, must handle international commercial transactions and report every purchase of foreign exchange, irrespective of the amount, that is received by South African residents or companies. As a rule, there are only limited delays in the conversion and transfer of funds.

Non-residents may freely transfer capital into and out of South Africa, although transactions must be reported to authorities. Non-residents may purchase local securities without restriction. To facilitate repatriation of capital and profits, foreign investors should make sure that an authorized dealer endorses their share certificates as "non-resident." Foreign investors should also be sure to maintain an accurate record of investment.

South African subsidiaries and branches of foreign companies are considered to be South African residents, and, are subject to exchange control by the SARB. South African companies may, as a general rule, freely remit the following to non-residents: repayment of capital investments; dividends and branch profits (provided such transfers are made out of trading profits and are financed without resorting to excessive local borrowing); interest payments (provided the rate is reasonable); and payment of royalties or similar fees for the use of know-how, patents, designs, trademarks or similar property (subject to prior approval of SARB authorities).

Since 2004, South African companies may invest in other countries without restriction (although SARB approval/notification is still required) and South African individuals may freely invest in foreign firms listed on South African stock exchanges. Individual South African taxpayers in good standing may invest up to R750,000 in total (approximately $107,000) in other countries. In October 2005, the government announced that South African banks would be able to commit up to 40 percent of their domestic capital in other countries, but only 20 percent outside Africa. In addition, mutual and other investment funds may now invest up to 25 percent of their retail assets in other countries. Pension plans and insurance funds may invest 15 percent of their retail assets in other countries.

Before accepting or repaying a foreign loan, South African residents must obtain SARB approval. The SARB must also approve the payment of royalties and license fees to non-residents when no local manufacturing is involved. When local manufacturing is involved, the DTI must approve the payment of royalties related to patents on manufacturing processes and products. Upon proof of invoice, South African companies may pay fees for foreign management and other services provided such fees are not calculated as a percentage of sales, profits, purchases, or income.

SARB approval is also required for the sale of all forms of South African-owned intellectual property rights (IPR). Approval is generally granted by SARB if the transaction occurs at arms length and at fair market value. IPR owned by non-residents is not subject to any restrictions in terms of repatriation of profits, royalties, or proceeds from sales.

Further questions on exchange control may be addressed to:

South African Reserve Bank
Exchange Control Department
P.O. Box 427, Pretoria, 0001
Tel: +27 (0) 12 313-3911; Fax: +27 (0) 12 313-3197
Website: http://www.reservebank.co.za/

Expropriation and Compensation

Under the Expropriation Act of 1975 and the Expropriation Act Amendment of 1992, the government is entitled to expropriate private property for reasons of public necessity or utility. The decision is an administrative one. Compensation should be the price that the property would have realized in an open market transaction. There is no record, dating back to 1924, of an expropriation or nationalization of a U.S. investment in South Africa.

Racially discriminatory property laws during apartheid resulted in highly disproportionate patterns of land ownership in South Africa. As a result, the post-apartheid government has committed to redistributing 30 percent of the country's farm land to Black South Africans by 2014. As of 2006, only 4.1 percent of total farm land had been redistributed under the government's land reform program. The government employs market-based land reform, but wants to speed redistribution. In 2005, the government indicated that it was willing to use more proactive land acquisition strategies to accelerate redistribution. In several restitution cases, the government has initiated proceedings to expropriate White-owned farms after courts ruled that the land had been seized from Blacks during apartheid and the owners subsequently refused court-approved purchase prices. In most of these cases, the government and owners have reached agreement prior to any final expropriation actions. However, in March 2007, the government took possession of a farm in Northern Cape Province after negotiations collapsed. As required by South African law, the government paid the previous owners the fair market value for the land, which had been established by independent auditors. This marked the first time the government has exercised its expropriation power in a restitution or redistribution case.

Dispute Settlement

South Africa is a member of the New York Convention of 1958 on the recognition and enforcement of foreign arbitration awards, but is not a member of the World Bank's International Center for the Settlement of Investment Disputes. South Africa recognizes the International Chamber of Commerce, which supervises the resolution of transnational disputes. South Africa applies its commercial and bankruptcy laws with consistency and has an independent, objective court system for enforcing property and contractual rights.

Performance Requirements and Incentives

DTI offers six investment incentives for manufacturing. Foreign Investment Grants may provide up to 15 percent of the value of new machinery and equipment to a maximum of R3 million (approximately $430,000) per entity for relocation to South Africa. Industrial Development Zones provide duty-free import of production-related materials and zero VAT on materials sourced from South Africa, along with the right to sell into South Africa upon payment of normal import duties on finished goods. The Skills Support Program provides up to 50 percent of training costs and 30 percent of worker salaries for a maximum of three years to encourage the development of advanced skills. The Strategic Investment Project program offers a tax allowance of up to 100 percent (a maximum allowance of R600 million (approximately $86 million) per project) on the cost of buildings, plant and machinery, for strategic investments of at least R500 million (approximately $70 million). The Critical Infrastructure Facility supplements funds up to 30 percent of the development costs of qualifying infrastructure projects. The Small and Medium Enterprise Development Program offers a tax free grant of up to R3.05 million (approximately $435,000) to manufacturers with assets of less than R100 million (approximately $14 million) for a maximum of three years. The first two years of the grant is based on the investment in operating assets and the third year on the level of employment generated.

In July 2004, DTI announced an incentive to encourage investment, both foreign and domestic, in the local film industry. It established the Film and Television Production Rebate Scheme that allows eligible applicants to receive a rebate of 15 percent of the production expenditures for foreign productions and up to 25 percent for qualifying South African productions. Film projects must have begun after April 1, 2004 and must reach a threshold of R25 million (approximate $3.6 million) to qualify for the rebate. Other requirements include 50 percent completion of the principal photography in South Africa and a minimum of four weeks photography time. Eligible productions include movies, tele-movies, television series, and documentaries. The maximum rebate for any project will be R10 million (approximate $1.4 million). Details on the entire program are available at the DTI website at http://www.dti.gov.za/.

To encourage investors to establish or relocate industry to areas throughout South Africa, the country's various provinces have development agencies that offer incentives. These vary from province to province and may include reduced interest rates, reduced costs for leasing land and buildings, cash grants for the relocation of plant and employees, reduced rates for basic facilities, railage and other transport rebates, and assistance in the provision of housing.

The Industrial Development Corporation, a self-financing, state-owned development finance institution that reports to DTI, provides equity and loan financing to support investment in target sectors. It also provides credit facilities for South African exporters. Several government-supported bodies provide technical assistance to industry. The Council for Scientific and Industrial Research provides multi-disciplinary research and development for industrial application.

Technifin is a government-owned corporation which finances the commercialization of new technology and products. MINTEK develops mining and mineral processing technology for company application. The Council for Geoscience undertakes geological surveys and services related to minerals exploration.

Under the National Industrial Participation Program (NIPP), foreign companies winning large government tenders exceeding $10 million must invest at least 30 percent of the value of the imported content of the tender in South Africa.

The government initiated the Motor Industry Development Program (MIDP) in 1995 to restructure the South African automotive industry over a period of twelve years. The program was designed to encourage local manufacturing by means of a duty rebate scheme on imported vehicles and component parts, to be phased out over the life of the program. In 2002, the Minister of Trade and Industry extended the program from 2007 to 2012. Import duties and duty rebates will continue to decline over this extended period. The import duty on built-up light vehicles will fall to 25 percent and the import duty on original equipment components will fall to 20 percent by 2012. The DTI has indicated that the MIDP would be sustained beyond 2012.

In August 2007, the government launched its National Industrial Policy Framework with an accompanying Action Plan. As noted above in Section 6.1, the Policy Framework provides for import tariff reductions, tighter competition legislation, increased industrial financing, and an improved incentive scheme for investors in specific industrial sectors.

Right to Private Ownership and Establishment

The right to private property is protected under South African law. All foreign and domestic private entities may freely establish, acquire, and dispose of commercial interests. The securities regulation code requires that an offer to minority shareholders be made when 30 percent shareholding has been acquired in a public company that has at least ten shareholders and net equity in excess of R5 million.

State-owned enterprises dominate a number of key sectors in South Africa. Eskom supplies 94 percent of South Africa's electricity. Transnet operates the bulk of the nation's railways and ports. The South African Post Office is a legislated monopoly. Telkom, 37 percent-owned by government, is the dominant fixed-line telephone operator. A second national operator, Neotel, began limited business-only operations in October 2006 and is 30 percent government owned. Neotel entered the business-to-business market in 2007 and plans to enter the residential market. InfraCo, a 100 percent government-owned broadband provider, was formed using the fibreoptic networks of Eskom and Transnet in December 2006 and approved for operations by Parliament in October 2007.

The Competition Act of 1998 and subsequent amendments address anticompetitive practices in both the private and public sectors. The Competition Commission has demonstrated increasing capacity to implement competition policy effectively. There have been more frequent challenges in recent years against state-owned enterprises that compete unfairly or otherwise abuse their dominant position.

Protection of Property Rights

The South African legal system protects and facilitates the acquisition and disposition of all property rights, e.g., land, buildings, and mortgages. Deeds must be registered at the Deeds Office. Banks usually provide finance for the purchase of property by registering the mortgage as security.

Owners of patents and trademarks may license them locally, but when a patent license entails the payment of royalties to a non-resident licensor, DTI must approve the royalty agreement. Patents are granted for twenty years - usually with no option to renew. Trademarks are valid for an initial period of ten years and thereafter renewable for ten-year periods. The holder of a patent or trademark must pay an annual fee to preserve ownership rights. All agreements relating to payment for the right to use know-how, patents, trademarks, copyrights, or other similar property are subject to approval by exchange control authorities in the South African Reserve Bank. For consumer goods, a royalty of up to four percent of the factory selling price is the standard approval. For intermediate and finished capital goods, a royalty of up to six percent will be approved.

Literary, musical, and artistic works, as well as cinematographic films and sound recordings are eligible for copyright under the Copyright Act of 1978. New designs may be registered under the Designs Act of 1967, which grants copyrights for five years.

The Counterfeit Goods Act of 1997 provides additional protection to owners of trademarks, copyrights, and certain marks under the Merchandise Marks Act of 1941. The Intellectual Property Laws Amendment Act of 1997 amended the Merchandise Marks Act of 1941, the Performers' Protection Act of 1967, the Patents Act of 1978, the Copyright Act of 1978, the Trademarks Act of 1993, and the Designs Act of 1993 to bring South African intellectual property legislation fully into line with the WTO's Trade-Related Aspects of Intellectual Property Rights Agreement. Amendments to the Patents Act of 1978 were also intended to bring South Africa into line with TRIPS, to which South Africa became a party in 1999, and provides for the implementation of the Patent Cooperation Treaty.

The International Intellectual Property Alliance reported an increase in border seizures of pirated goods, as well as increased police raids in the optical disc market during 2005 and 2006. A local watchdog, the South African Federation Against Copyright Theft reported on its website (http://www.safact.co.za/) statistics on seizures of counterfeit DVDs as well as a growing number of successful criminal cases, including imposition of prison sentences, against pirates in 2007, demonstrating the government's commitment to IPR enforcement.

Transparency of the Regulatory System

In general, the Companies Act of 1973 provides for transparent regulations concerning the establishment and operation of businesses. Under the Act, for-profit businesses employing more than 20 persons must register as a company within 21 days. The same rules apply to foreign companies, with the exception that foreign companies may elect to operate as an "external company" (with no limit on legal liabilities). In general, businesses must also register with the local Regional Services Council, the Department of Labor, the Workman's Compensation Commissioner, the appropriate industry council, and the South African Revenue Service. In addition, all businesses must obtain an operating license from local authorities. The validity of an operating license is indefinite unless a business is sold or relocated. Forms to be filled out by investors are straightforward. The process takes six months on average, but can be done in one month through Trade and Investment South Africa, a division of DTI.

Virtually all business activities are open to foreign investors. The government does not prohibit or officially discourage a foreign-owned business from locating in a particular region of the country. Restrictions that apply to a particular industry apply to both domestic and international investors. Exceptions exist in the areas of banking and defense. For example, a branch of a foreign bank may be required to employ a certain number of South Africans and maintain a minimum local capital base to obtain a banking license. In addition, a foreign company must register as an external company before immovable property can be registered in their names.

Efficient Capital Markets and Portfolio Investment

South Africa's banks are well-capitalized and comply with international banking standards. Six of the 35 banks in South Africa are foreign-owned and 15 are branches of foreign banks. The "Big Four" (Standard, ABSA, First Rand, and Nedcor) dominate the sector, accounting for almost 85 percent of the country's banking assets, which total over $240 billion. In 2005, the government approved Barclays' acquisition of ABSA. As of early 2008, Standard is awaiting government approval of the sale of 20 percent of its equity to the International Commercial Bank of China.

The South African Reserve Bank (SARB) regulates the sector according to the Bank Act of 1990. There are three alternatives for foreign banks to establish local operations, all of which require SARB approval: 1) a separate company; 2) a branch; or 3) a representative office. The criteria for the registration of a bank are the same as for domestic banks. Foreign banks, however, must include additional information, such as holding company approval, a letter of "comfort and understanding" from the holding company, and a letter of no objection from the foreign bank's home regulatory authority. More information on the banking industry may be obtained from the South African Banking Association at the following website: http://www.banking.org.za/.

The Financial Services Board (FSB) governs South Africa's non-bank financial services industry (see website: http://www.fsb.co.za/). The FSB regulates insurance companies, pension funds, unit trusts (i.e., mutual funds), participation bond schemes, portfolio management, and the financial markets. The JSE Securities Exchange SA (JSE) is the nineteenth largest exchange measured by market capitalization in the world. As of December 2007, market capitalization stood at $842 billion with a total of 456 firms listed. The Bond Exchange of South Africa (BESA) is licensed under the Financial Markets Control Act. Membership includes banks, insurers, investors, stockbrokers, and independent intermediaries. The exchange consists principally of bonds issued by government, state-owned enterprises, and private corporations. More information on financial markets may be obtained from the JSE (website: www.jse.co.za)and the Bond Exchange (website: http://www.bondexchange.co.za/).

Foreign investors deemed "affected persons" must obtain SARB approval to borrow amounts greater than R20,000 (approximate $2,900). "Affected persons" are defined as companies or other bodies in which: 1) 75 percent or more of the capital assets or earnings may be used for payment to, or for the benefit of, a non-resident; or 2) 75 percent or more of the voting securities, voting power, power of control, capital, assets or earnings are vested in, or controlled by, any non-resident. No person in South Africa may provide credit to a non-resident or "affected person" without an exchange control exemption. Non-residents and "affected persons," however, may borrow up to 100 percent of the South African Rand value of funds introduced from abroad and invested locally. Additionally, the ability to borrow locally increases if both residents and non-residents own the local enterprise.

Political Violence

Political violence is no longer a serious issue in South Africa, but criminal violence remains high. National and provincial governments have pursued a number of programs in an attempt to control or stabilize the level of criminal violence.

Corruption

South African law provides for prosecution of government officials who solicit or accept bribes. Penalties for offering or accepting bribes include criminal prosecution, fines, dismissal (for government employees), and deportation (for foreign citizens). The South African Prevention and Combating of Corrupt Activities Act of 2004 clarified what should be considered as corruption and allows for the investigation and seizure of "unexplained wealth." The act also obliges public officials to report corrupt activities, prescribes strict penalties, including the possibility of life imprisonment, and tasks the National Treasury to create a register of corrupt individuals and firms that will not be allowed to submit bids on government tenders. One shortcoming of the Act is the lack of provision of protection for whistleblowers.

New laws, such as the Promotion of Access to Information Act signed into law in February 2000, have helped to increase transparency in government in the last few years. The Public Finance Management Act, which became effective on April 1, 2000, has helped to raise the level of oversight and control over public funds and improved the transparency of government spending, especially with regard to off-budget agencies and parastatals.

At least ten agencies are engaged in fighting corruption. Some, like the Public Service Commission (PSC), Office of the Public Protector and Office of the Auditor-General, are constitutionally mandated. The South African Police Anti-Corruption Unit and the National Prosecuting Authority's Directorate for Special Operations (popularly known as the Scorpions) have dedicated units to combat corruption. The Special Investigating Unit (SIU) under the Presidency investigates corruption in government departments and in the process has recently identified hundreds of civil servants alleged to have improperly received state housing subsidies. The SAG took administrative action to recover these subsidies.

According to Transparency International's 2007 Corruption Perceptions Index, the perception of corruption in South Africa substantially improved, although the public perception of widespread official corruption, particularly in the police and the Department of Home Affairs, continued. South Africa 2007 Index ranking was 43 out of 179 countries and was the second least corrupt in Africa. South Africa is not a signatory of the OECD Convention on Combating Bribery, but is a signatory of the UN Convention against Corruption. Transparency International maintains an office in South Africa.

Bilateral Investment Agreements

South Africa has bilateral investment agreements with Argentina, Austria, Belgium, Canada, Chile, the Czech Republic, Finland, France, Germany, Greece, Mauritius, the Netherlands, the Republic of Korea, Spain, Sweden, Switzerland, Turkey, and the United Kingdom. A Trade, Development, and Cooperation Agreement went into force between South Africa and the European Union on January 1, 2000, but it does not contain an investment chapter. South Africa, as part of SACU, is currently in negotiations for trade agreements with Mercosur and India.

The United States began free trade agreement (FTA) negotiations with the five Southern African Customs Union (SACU) countries (including South Africa, Botswana, Lesotho, Namibia, and Swaziland) in June 2003, but active negotiations were ended in April 2006. In lieu of a U.S.-SACU FTA, the United States and SACU agreed to negotiate a new type of agreement (called a Trade Investment and Development Cooperation Agreement or “TIDCA”). An agenda for the U.S.-SACU TIDCA will be defined in 2008.

Agreements regarding mutual assistance between the customs administrations of the United States and South Africa became effective on August 1, 2001. The U.S.-South Africa bilateral tax treaty eliminating double-taxation became effective on January 1, 1998.

OPIC and Other Investment Insurance Programs

In 1993, South Africa signed an investment incentive agreement with the United States to facilitate Overseas Private Investment Corporation (OPIC) programs. To date, OPIC has invested in a number of investment funds supporting sub-Saharan Africa development, including the Africa Growth Fund ($25 million), the Modern Africa Growth and Investment Fund ($105 million), and the ZM Investment Fund ($120 million). OPIC also established the $350 million Sub-Saharan Africa Infrastructure Fund (SAIF), which intends to fund infrastructure projects in sub-Saharan Africa. OPIC helped the National Urban Reconstruction and Housing Agency (NURCHA) to establish a $31 million scheme to lend to small contractors for the construction of affordable houses. In 2004, OPIC entered into an agreement with the Homeloan Guarantee Company (HLGC) to fund low-income home loans for HIV-positive South Africans. The pilot program for this project was initiated in 2005. Net proceeds from a $300 million investment pool will be used to purchase medication for HIV-positive South African homeowners holding HLGC guaranteed mortgages. Additional information on OPIC programs that involve South Africa may be found on OPIC's website: http://www.opic.gov/.

South Africa is also a member of the World Bank's Multilateral Investment Guarantee Agency.

Labor

The right to strike is protected under South African labor law. Labor militancy rose sharply in 2007, with over 12.6 million workdays lost to strikes over the first nine months of 2007, as inflation accelerated to 7 percent, and food price inflation hit 11.3 percent in August 2007. By comparison, only 2.9 million workdays were lost to strikes for all of 2006. As of March 2007, total trade union membership was approximately three million persons, or roughly 30 percent of the economically active population employed in the formal sector. Most union members belong to affiliates of the three major union federations: the Congress of South African Trade Unions (COSATU), the Federation of Unions of South Africa (FEDUSA), or the National Council of Trade Unions (NACTU). Although COSATU, the largest of the federations, is allied with the African National Congress (ANC) and the South African Communist Party (SACP), it has opposed President Mbeki's policies on issues of economic and health policy. COSATU is also opposed to efforts to privatize government services and state-owned corporations.

According to the March 2007 Labor Force Survey (LFS), the official unemployment rate was 25.5 percent. This rate uses the International Labor Organization (ILO) definition of unemployment, which excludes persons who have not actively sought employment during the previous four weeks. To help counter unemployment and contribute to economic growth, the government has shifted substantial resources to skills development, and undertaken a growth and employment policy.

South Africa has no country-wide minimum wage, but the Minister of Labor has issued determinations that set a minimum wage for certain occupations where collective bargaining is not common. These include domestic workers, farm workers, taxi-drivers, and retail employees. In addition, the Minister can apply collective bargaining agreements to firms that did not participate in negotiations.

Since 1994, the government has systemically sought to remove all vestiges of apartheid labor legislation. In its place, the government has sought to install a labor market characterized by employment security, reasonable wages, and decent working conditions. Under the aegis of the National Economic Development and Labor Council (NEDLAC), government, business, and organized labor negotiated all labor laws, with the exception of laws pertaining to occupational health and safety. NEDLAC negotiations placed a high value on worker rights and collective bargaining.

Major labor legislation includes the following:

-- The Labor Relations Act, in effect since November 1996, enshrines the right of workers to strike and of management to lock out workers. The Act created the Commission on Conciliation, Mediation, and Arbitration (CCMA) which can conciliate, mediate, and arbitrate in cases of labor dispute, and is required to certify an impasse in bargaining council negotiation before a strike can be legally called. The CCMA enjoys substantial popularity among workers and has a caseload in excess of what was anticipated.

-- The Basic Conditions of Employment Act, implemented in December 1998, establishes a 45-hour workweek as well as minimum standards for overtime pay, annual leave, and notice of termination. It outlaws child labor.

-- The Employment Equity Act prohibits unfair employment discrimination and requires large and medium-sized employers to prepare affirmative action plans to ensure that Black African, women, and disabled persons are adequately represented on the workforce.

-- Occupational Health and Safety Act, last amended in 1993, provides for occupational health and safety standards and gives the Department of Labor the right to inspect the workplace. For the mining industry, the Inspector of Mines provides regulatory oversight under the Mine Health and Safety Act.

-- The Skills Development Act imposes a levy on employers equal to one percent of the payroll that is to be used for training programs devised by industry-specific training authorities. Employers who provide job skills training can claim back much of their contribution from government.

Companies have complained about the introduction, through a regulation in early 2003, of a two percent training levy on the salaries of expatriates in order to enter the country under an expedited visa procedure. The levy does not apply to expatriates already resident in the country or to inter-company transfers. Expatriates who enter the country under the normal visa procedure are exempt from the levy, but the normal process is complex and time-consuming. The government's decision to implement the levy-based system through regulation rather than legislation has also been controversial. A legal challenge to the regulations further delayed the implementation of new immigration legislation and this created more uncertainty about the effective handling of applications for visas.

Despite amendments to some of the above labor laws passed in 2002, business argues that over-regulation of the labor market has constrained employment and contributed to the rise in unemployment. On the other side, trade unions argue that employers evade labor legislation through the use of labor brokers who supply casual workers. Other areas of contention revolve around the application of wage structures to all firms in an industry, whether or not firms participated in wage negotiations, and complex requirements and appeal procedures for the dismissal of workers.

Foreign Trade Zones/Free Ports

South Africa designated its first Industrial Development Zone (IDZ) in 2001. IDZs offer duty-free import of production-related materials and zero VAT on materials sourced from South Africa, along with the right to sell into South Africa upon payment of normal import duties on finished goods. Expedited services and other logistical arrangements may be provided for small to medium-sized enterprises, or for new foreign direct investment. Co-funding for infrastructure development is available. There are no exemptions from other laws or regulations, such as environmental and labor laws. The Manufacturing Development Board licenses IDZ enterprises in collaboration with the South African Revenue Service (SARS), which handles IDZ customs matters. IDZ operators may be public, private, or a combination of both. IDZs are currently located at Coega near Port Elizabeth, in East London, Richards Bay, and at Johannesburg International Airport. An IDZ in Mafikeng is expected to be approved by Cabinet in 2008.

Foreign Direct Investment Statistics

Foreign direct investment (FDI) data is readily available in South Africa, but published statistics vary depending on their source and definition. Among the numerous institutions that provide foreign investment data, the U.S. Embassy in South Africa relies mostly on the SARB. SARB statistics conform to the IMF definition of FDI (i.e., FDI is generally defined as ownership of at least 10 percent of the voting rights in an organization by a foreign resident or several affiliated foreign residents, including equity capital, reinvested earnings, and long-term loan capital) and represent actual investment, excluding announced but not completed "intended" investment. However, the SARB does not provide country-specific figures that distinguish between actual investment flows and changes in investment stocks caused by asset swaps, exchange rate adjustments, and mergers and acquisitions. This makes it difficult to track the United States' and other countries' FDI position in South Africa on an annual basis.

Because SARB statistics only provide an annual total for all the countries' flows combined, observers also often consult more updated information obtained from the South Africa-based firm "Business Map" (BM). The latter offers fee-based services for a wide range of investor-related data and analysis (website: http://www.businessmap.co.za/).

The following FDI statistics were drawn from the SARB's December 2006 Quarterly Bulletin. The conversion exchange rate used was the average exchange rate for each year cited.

Table A: Average Exchange Rates

	2002	2003	2004	2005	2006
Rand/US$	10.52	7.56	6.45	6.36	6.77

Table B: Year-end Stock of Foreign Direct Investment in South Africa

	2002	2003	2004	2005	2006
Rand(billion)	255.84	303.55	355.09	489.32	611.72
US$ (billion)	24.33	40.14	55.05	76.94	90.36

Table C: Year-end Stock of South African Direct Investment Abroad

	2002	2003	2004	2005	2006
Rand(billion)	189.91	180.51	216.66	232.93	354.25
US$ (billion)	18.06	23.87	33.59	36.62	52.33

Table D: GDP (in billion rands at current prices) and year-end FDI Stock as a percentage of GDP

	2002	2003	2004	2005	2006
GDP	1,168.7	1,260.7	1,398.6	1,541.07	1,741.06
FDI (%)	21.9	24.1	25.4	31.8	35.1

Table E: Year-end stock of FDI in South Africa by region/country (billions)

REGION/COUNTRY	RAND	RAND	US$	US$
EUROPE – Total	436.3	535.6	68.6	79.1
UNITED KINGDOM	350.5	440.3	55.1	65.0
GERMANY	29.9	34.1	4.7	5.0
NETHERLANDS	14.1	22.1	2.2	3.3
SWITZERLAND	10.6	12.3	1.7	1.8
FRANCE	7.7	9.2	1.2	1.4
ITALY	1.2	2.9	0.2	0.4
N&S AMERICA (total)	33.8	51.2	5.3	7.6
USA	31.2	37.4	5.1	5.5
AFRICA (total)	4.0	4.1	0.6	0.6
ASIA (total)	14.3	19.8	2.3	2.9
MALAYSIA	2.4	2.4	0.4	0.4
JAPAN	9.9	14.7	1.7	2.2
OCEANIA (total)	0.8	1.0	0.1	0.1
TOTAL	489.3	611.7	76.9	90.36

Table F: Year-end Stock of South African Direct Investment Abroad by Region/Country (billions)

REGION/COUNTRY	RAND	RAND	US$	US$
	2005	2006	2005	2006
EUROPE - Total	189.1	238.8	29.7	35.3
UNITED KINGDOM	70.9	79.8	11.1	11.8
LUXEMBURG	74.8	106.4	11.8	15.7
AUSTRIA	18.0	22.3	2.8	3.3
OTHER	25.4	30.3	4.0	4.5
N&S AMERICA (total)	16.3	23.7	2.6	3.5
USA	14.4	21.7	2.3	3.2
AFRICA (total)	19.1	59.1	3.0	8.7
ASIA (total)	1.5	25.8	0.2	3.8
OCEANIA (total)	6.8	6.8	1.1	1.0
TOTAL	232.9	354.3	36.6	52.3

Table G: Year-end Stock of FDI in South Africa by Industry Sector (billions)

INDUSTRY	RAND	RAND	US$	US$
	2005	2006	2005	2006
Agriculture, Forestry & Fishing	0.7	0.9	0.1	0.1
Mining	168.3	250.4	26.5	37.0
Manufacturing	136.0	165.4	21.4	24.4

Construction	2.0	2.0	0.3	0.3
Trade, Catering, & Accommodation	14.7	16.2	2.3	2.4
Transport, Storage, & Communication	9.4	13.8	1.5	2.0
Finance, Insurance, Real Estate & Business Services	157.6	162.5	24.8	24.0
Social Services	0.5	0.5	0.1	0.1
TOTAL	489.2	611.7	77.0	90.4

Table H: FDI Flows into South Africa:

Investment by foreigners in undertakings in South Africa in which they have at least ten percent of the voting rights (R billions):

2001*	58.4
2002	8.0
2003	5.6
2004	5.2
2005*	42.3
2006	-3.6

*The high inflow in 2001 was due to the DeBeers/Anglo American transaction.

*The inflow in 2005 was due to the Barclays/ABSA and Vodafone/Vodacom transactions.

Table I: FDI Flows out of South Africa:

Investment by South Africans in undertakings abroad in which they have at least ten percent of the voting rights (R billions):

2001*	-27.4 (inflow - decrease in investment abroad)
2002	-4.2 (inflow - decrease of investment abroad)
2003	4.3
2004	8.7
2005	5.9
2006	45.5

*2001 De Beers/Anglo American transaction resulted in the return of capital, previously invested abroad, to South Africa.

Since 1994 many foreign firms have opened or re-opened offices in South Africa. There are an estimated 600 American companies (including subsidiaries, joint ventures, local partners, agents, franchises, and representative offices) doing business in South Africa.

Key Investment Industries in South Africa:

South Africa is largely a food self-sufficient country, with imports of wheat, oilseeds, poultry and pork largely offset by exports of fresh fruits, vegetables, fruit juice, and wine. The bulk of the population's food needs are supplied locally. In certain instances, South African food and beverage companies have become global players, such as SAB Miller. Major international agro-processing companies with a presence in South Africa include Unilever, Nestle, Coca-Cola, Danone, Parmalat, Kellogg, HJ Heinz, Cadbury-Schweppes, Virgin Cola, McCain Foods of Canada, and Pillsbury.

The chemical industry is the largest manufacturing sector in the South African economy, accounting for five percent of GDP. The country is a world leader in the manufacture of synthetic fuel from coal. In addition to Sasol and PetroSA Fischer-Tropsch-based synthetic fuel operations, four oil refineries dominate the petroleum and petrochemical industry. The rest of the chemical manufacturing sector consists mainly of AECI, Sentrachem, and fertilizer plants.

The Standard, ABSA, First Rand, and Nedcor commercial banking groups provide retail and investment banking services and dominate the South African banking industry. The European, Malaysian, and U.S. banks with banking licenses have so far concentrated on corporate rather than retail banking. Foreign banks have gained market share by offering competitive lending rates.

The South African automotive and components industry includes Ford, General Motors, Volkswagen, Bavarian Motor Works, Daimler, Chrysler, Nissan, and Toyota, all of which benefit from the Motor Vehicle Development Program and have production plants in South Africa.

Table J: Top Foreign Companies Invested In South Africa

Australia	BHP Billiton
Canada	Placer Dome
Denmark	AP Moller
France	Lafarge
Germany	BMW
India	Tata
Italy	Cirio (Del Monte)
Switzerland	Movenpick Hotels
U.K,	Lonrho Plc, SA Breweries, Anglo American, Barclays, Vodafone, British Petroleum, Old Mutual, Virgin
U.S.	Caltex; Coca Cola, Dow Chemicals, General Motors, Ford, Pioneer Energy, CSX, Timkin
Saudi Arabia	Oger
UAE	Victoria and Alfred Waterfront

This is an illustrative listing of companies that have invested in excess of R1 billion in South Africa since 1994.

Other significant U.S. investors include: McDonalds, Levi Strauss, Nike, Silicon Graphics, Microsoft, HP, Dell, Sara Lee, Caterpillar, Goodyear, Eli Lilly, Johnson and Johnson, Proctor & Gamble, Fluor, CitiGroup, IBM, and General Electric.

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Chapter 7: Trade and Project Financing

How Do I Get Paid (Methods of Payment) Return to top

South African importers utilize most of the standard payment methods available in international commerce. The most commonly used are:

- Cash in Advance: the buyer pays for goods in advance and money is transferred from the buyer's account to the seller's account in the currency of the Pro Forma Invoice. (Lowest Risk)

- Letters of Credit (LC), also known as Commercial or Documentary Credits. This form protects both buyer and seller against non-payment, and is issued by a bank on behalf of an importer in favor of a beneficiary, typically the exporter. If the exporter is concerned about the reliability of the importer only, he/she should use irrevocable LC. If the exporter is also concerned about the standing of the issuing bank and/or the standing of the importer's country, he/she should use a confirmed irrevocable credit. In South Africa all credits issued are subject to exchange control regulations and in limited cases a South African import permit. South African exchange control regulations stipulate that payment of imports may be effected only by authorized banks against submission by their customers of documentary proof that the goods were imported into South Africa as evidenced by invoices and shipping documents stamped by South African Customs. An exception is, inter alia, when South African banks have opened documentary import letters of credit in favor of foreign exporters. Payment in those instances may be effected against presentation by the exporter of invoices and shipping documents to the foreign negotiating bank before the goods have arrived in South Africa (but after they have left the United States). If credit is available, payment will take place upon presentation of documents. Payment can be made via transmission or airmail, depending on the reimbursement clauses. The advising bank should, if possible, be the same bank as the exporter's bank. If the exporter's bank is unknown, the South African bank will advise the credit through a correspondent bank known to it in the United States and, if possible, in the exporter's city. (Low Risk)

- Bank Collections and Bills of Exchange: whereby the exporter initiates through the banking system the collection of money owed to him by the buyer. (Medium Risk)

- Open Account: the seller relies entirely on the buyer/importer to make payment as stipulated under a contract of sale. (High Risk)

- Sales on Consignment: the seller sends goods prior to payment, but retains ownership of the goods until the buyer sells the goods to the end-user. The buyer is then expected to pay for the goods. (Highest Risk)

- International Money Transfers: used to transfer cash between the different countries' banks in different currencies. Two methods are used: Teletransmission or Telegraphic Transfers (TT's) or S.W.I.F.T. (Society for Worldwide Interbank Financial Telecommunication). (Low Risk)

U.S. exporters should offer quotations based on the f.o.b. value at the port of export. As a general rule, such quotations should also include a statement of the actual charges for freight and insurance plus any additional charges to the port of delivery. Quotations are usually in terms of the currency of the country of origin. The terms of payment for imported goods vary according to the type of buyer and the buyer's access to capital. Large organizations such as the government or mining companies tend to transact business on a sight-draft basis, while small companies tend to operate on documents against acceptable terms. Payment between 80 and 120 days after acceptance is most common, but terms may vary between 30 and 180 days. For larger orders of capital equipment, longer terms are often required. It is advisable to ship on a letter of credit, sight letter of credit, or 30-day letter of credit basis that the importer can use as a negotiating instrument to expedite the payment transfer. The payment transfer can be affected within 24 to 48 hours after the importer presents a valid import permit and proper documents to his or her bank.

How Does the Banking System Operate Return to top

South Africa's well-developed banking system resembles Great Britain's system rather than that of the United States. It consists of three key elements: the South African Reserve Bank (the country's central bank), private sector banks (commercial banks, merchant banks, and general banks), and mutual banks. South African banks hold the first six places amongst the top 100 banks on the continent of Africa.

Four large banks dominate the South African banking landscape: Standard Bank of South Africa, Nedcor Bank, ABSA (Amalgamated Bank of South Africa – now owned by Balrclays Plc), and FirstRand Bank – accounting for around 85 percent of banking services throughout South Africa. In total, there are approximately 70 foreign banks operating in South Africa, either via representative offices, branches, subsidiaries or joint ventures with local companies. International banks in the country have focused on offshore lending (where they have a competitive advantage as a result of their low overheads and their ability to raise funds at comparatively favorable rates), as well as treasury activities for corporate and clients and government. The aggregated balance-sheet size of the banking sector in South Africa amounted to R2 075,1 billion ($296 billion) as at 31 December 2006.

All banks offer a comprehensive range of products and services through extensive branch and electronic banking infrastructures, serve a wide customer base, and have the characteristics of universal banks. The demand for banking services in South Africa is high; however, according to the Finscope (2006) survey at least 49 percent of the total adult population in South Africa still does not have access to banking service. While there have been significant major achievements made by the commercial banks in providing banking services to the previously excluded sections of the community, the problem of access to financial services is too large to be tackled by commercial banks alone. There are several initiatives to increase community participation and government intervention to address this inequality of access for all sectors of the population.

Based on population numbers, South Africa does not appear to be over-banked, as one branch exists for approximately every 9,500 persons. A large portion of the population does not have access to normal banking services and uses only a few products. Many Black South Africans tend to save outside the formal banking sectors, and choose to save in co-operative savings institutions called stokvels. Excluding the non-banked segment of the population, it is estimated that there is one branch for every 3,200 persons. E-commerce financial services (i.e., banking and share dealing on-line) are doing well in the local market and it is projected that this segment will continue to rise.

Although the services sector has, in the past, focused on the mid- to high income population, Government pressure, namely through the Financial Services Charter, as well as demand from the lower-income population, means that the banks are joining the smaller micro-lenders and are increasingly incorporating the lower end of the market into their strategies, as well as developing BEE strategies into their business development plans. Mortgage loans, credit cards and store account cards are also enjoying increased popularity.

Foreign-Exchange Controls

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The Exchange Control Department at the South African Reserve Bank (SARB) administers foreign exchange policy. Authorized foreign exchange dealers, normally one of the large commercial banks, must handle all international commercial transactions and report every purchase of foreign exchange, irrespective of the amount, received by South African residents and companies. As a rule, there are only limited delays in the conversion and transfer of funds.

All inquiries of an exchange control nature should be directed at an authorized foreign exchange dealer, who will, if required, refer the matter to the Exchange Control Department of the SARB. For more information and a list of authorized dealers in foreign exchange, please refer to www.reservebank.co.za.

South African Reserve Bank (SARB):
Mr. A.M. Bruce-Brand
Head, Exchange Control Department

P.O. Box 3125, Pretoria, 0001
Tel: +27 (0)12 313 3911; Fax: +27 (0)12 313 3133

When South African authorized dealers of foreign exchange open documentary import letters of credit in favor of foreign exporters, payment is effected against presentation by the exporters of invoices and shipping documents to the foreign negotiating bank prior to the arrival of goods in South Africa. Foreign currency payments for imports may only be made against the following documents of title:

- Marine/Ocean Bill of Lading – covering multimodal transport or port-to-port shipment
- Multimodal Transport Document
- Air Waybill/Air Transport Document
- FIATA Forwarder's Certificate of Receipt
- Post receipt
- Certificate of Posting
- Courier's Dispatch Note or Air Waybill
- House Air Waybill
- House Bill of Lading
- Arrival notifications issued by Ellerman and Bucknall (Pty) Limited, Safmarine Limited, and the Transatlantic Shipping Agency (Pty) Limited, and Nedloyd Agency Cies SA (Pty) Limited.

Foreign exchange may be provided for advance payments not exceeding a third of the ex-factory cost of capital goods to be imported provided that: 1) the South African banker is satisfied from the production of documentary evidence supplied by the overseas manufacturer that the order would otherwise be refused, 2) that such payment is normal in the trade concerned. For advance payments exceeding 33.33 percent, the importer has to obtain specific approval from the Exchange Control Department of the South African Reserve Bank. The first shipment from a new supplier, the lack of availability of the imported equipment, or its superior quality to what is available in South Africa, are all examples of conditions for proper justification.

Foreign exchange may also be provided on a cash-with-order basis to cover the cost of permissible imports up to an amount of R50,000 (approx. $7,140), but authorized dealers must satisfy themselves by the subsequent production of the usual documentary evidence that the exchange provided has been used for the purposes stated and that the goods have been imported into the Republic. Prior Exchange Control approval is required for amounts exceeding R50,000 (approx. $7,140).

Authorized dealers must in due course insist upon the presentation to them of original bills of entry import or local parcel post receipts as evidence that goods, for which transfers have been affected in terms of the above rules, have been received in South Africa. Such documents will also be boldly stamped "Exchange Provided." The date of the exchange transaction should be inserted under the stamp and, in the event of a part payment, the amount concerned should be stated. Customers are advised to retain the stamped documents for at least two years for inspection purposes.

South African importers are allowed to obtain foreign exchange to meet import payments for goods consigned by air on a cash-on-delivery basis before the goods are cleared through customs. The documentation required for this transaction is a copy of the respective air waybill bearing an original stamp with the words "For Exchange Control Purposes Only" and dated and signed by a member of the South African Association of Freight Forwarders (www.saaff.org.za).

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U.S. Banks with representative offices in South Africa:

- American Express Bank Ltd.,
- Bank of America, and
- National Association
  Bank of New York

U.S. Banks with registered offices in South Africa:

- JP Morgan and
- Citibank

Banks in South Africa with Correspondent Worldwide Banking Arrangements:

- ABSA (with Chemical Bank);
- First National Bank;
- Nedbank (with Bankers Trust, Chase Manhattan, Chemical Bank, Citibank, and Morgan Guarantee Trust);
- Bank of Taiwan (South Africa) Limited;
- FirstRand Bank Limited;
- First National Bank of Southern Africa Limited;
- Mercantile Bank;
- International Bank of Southern Africa - S.F.O.M. Limited;
- Investec Bank Limited;
- Rand Merchant Bank Limited;
- Societe Generale South Africa Limited;
- Standard Merchant Bank Limited;
- The South African Bank of Athens Limited; and
- The Standard Bank of South Africa Ltd.

For an up-to-date and comprehensive listing of all South African Reserve Bank registered banks, see: http://www.resbank.co.za/banks/banks.htm.

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Sources of Project Financing in South Africa

U.S. Trade and Development Agency (TDA)

The U.S. Trade and Development Agency promotes economic development in developing countries by funding feasibility studies, consultants, training programs, and other project planning services. In Africa, TDA assists U.S. firms by identifying major development projects that offer large export potential and by funding U.S. private sector involvement in project planning. This, in turn, helps position U.S. firms for follow-on activities during the implementation phase of the project. For additional information contact:

U.S. Trade and Development Agency
Mr. Doug Shuster – Country Manager
15 Chaplin Road (cnr. Oxford); Illovo
Tel: +27 (0)11 778 4804; Fax: +27 (0)11 268 6104
Email: Dshuster@ustda.gov
Website: http://www.tda.gov/

Development Bank of Southern Africa (DBSA)

The DBSA is one of five existing development finance institutions in South Africa, and it has a mandate to accelerate sustainable socio-economic development in the region by funding physical, social and economic infrastructure.

Mr. Paul Baloyi -CEO
Development Bank of Southern Africa
PO Box 1234
Halfway House 1685, Midrand
Tel: +27 (0)11 313 3911; Direct: +27 (0)11 313 3059; Fax: +27 (0)11 206 3516
Email: Paulb@dbsa.org
Website: www.dbsa.org

Industrial Development Corporation of South Africa, Ltd. (IDC):

The IDC is a state-owned financial institution offering an extensive range of financing facilities to private sector entrepreneurs engaged in manufacturing industries in South Africa. Its mission is to assist in the financing of new and existing private sector enterprises so that industrial development takes place in South Africa according to sound business principles.

IDC
PO Box 784055,
Sandton, 2146
Tel: +27 (0)11 269 3000; Direct: +27 (0)11 269 3279; Fax: +27 (0)11 269 3113
CEO: Geoffrey Qhena - CEO
Email: geoffreyq@idc.co.za
Website: www.idc.co.za

Small Business Development in South Africa

The United States Agency for International Development (USAID) is the U.S. government agency responsible for development assistance. USAID believes that to succeed in its global mission, it must support sustainable and participatory development, emphasize partnerships, and use integrated approaches to promoting development.

USAID/South Africa is one of about 80 Missions that manage a country program. Its goal is sustainable transformation from apartheid conditions to sustainable development conditions. USAID assists government and non-government institutions in South Africa to contribute to the political, social, and economic empowerment of the disadvantaged majority population, both men and women.

Please contact USAID for additional information on its programs at:

United States Agency for International Development - South Africa
PO Box 43, Groenkloof, 0027
Tel: +27 (0)12 452 2000; Fax: +27 (0)12 460 3177
Website: http://www.usaid.gov/locations/sub-saharan_africa/countries/southafrica/

Enterprise Development in Southern Africa

The Southern African Enterprise Development Fund (SAFEDF), a US$100 million USAID-sponsored project, promotes small-to-medium-sized enterprises throughout South Africa. For additional information on the SAFEDF, please visit its website at: http://www.saedf.org.za/.

The Entrepreneurship Development Unit of the University of the Western Cape also provides information on entrepreneurship and small business development in South Africa.

Entrepreneurship Development Unit
Department of Management
Head of Department: Mr. Goosain Solomon
University of the Western Cape
Private Bag X17, Bellville, 7535
Tel: +27 (0)21 959 2595; Fax: +27 (0)12 959 3219
Website: http://www.uwc.ac.za/ems/man/edu.htm

Multilateral Development Banks

The African Development Bank Group

The African Development Bank Group (AfDB), headquartered in Abidjan, Côte d'Ivoire (West Africa), is an international financial institution created by Africans in 1963 to promote the economic and social development of its member African countries. Due to the current situation in the host country the AfDB has temporarily relocated to Tunis, Tunisia until the political situation has normalized in Côte d'Ivoire. The Bank Group covers Africa exclusively, with its lending operations and non-lending development activities all centered on Africa.

Additional information about the African Development Bank Group can be found on the Internet at www.afdb.org.

African Development Bank (Temporary Relocation to Tunis)
Tel: +216 71 333 511; Fax: +216 71 351 933
E-mail: afdb@afdb.org

African Development Bank (Statutory Headquarters in Cote D'Ivoire)
Tel: +225 20 204 444; Fax: +225 20 204 959
E-mail: afdb@afdb.org

The World Bank Group

South Africa was a founding member of the International Bank for Reconstruction and Development (IBRD) in 1944. It joined the International Development Association (IDA) in 1960, the International Finance Corporation (IFC) in 1957, and the Multilateral Investment Guarantee Agency (MIGA) in 1994.

Additional information is available on the Internet at www.worldbank.org, or contact:

World Bank Resident Mission in South Africa/IBRD Section
Chief of Mission: Ritva Reinekka
PO Box 12629, Hatfield, 0028
Tel: +27 (0)12 431 3100; Fax: +27 (0)12 431 3134

IFC Section:
PO Box 41283, Craighall, 2024
Tel: +27 (0)11 731 3000; Fax: +27 (0)11 268 0074

U.S. Commercial Service Liaison Office at the World Bank
Director/Business Liaison: Mr. William Center
1818 H. St., NW, Washington, DC 20433
Tel: (202) 458-0120; Fax: (202) 477-2967
Email: wcenter@worldbank.org
Website: www.worldbank.org

Export-Import Bank

This is an independent U.S. Government agency that helps finance the overseas sales of U.S. goods and services. In almost 70 years, Ex-Im Bank has supported more than $400 billion in U.S. exports.

Ex-Im Bank's mission is to create jobs through exports. It provides guarantees of working capital loans for U.S. exporters, guarantees the repayment of loans or makes loans to foreign purchasers of U.S. goods and services. Ex-Im Bank also provides credit insurance that protects U.S. exporters against the risks of non-payment by foreign buyers for political or commercial reasons. Ex-Im Bank does not compete with commercial lenders, but assumes the risks they cannot accept. It must always conclude that there is reasonable assurance of repayment on every transaction financed.

To qualify for Ex-Im Bank support, the product or service must have significant U.S. content and must not affect the U.S. economy adversely. Ex-Im Bank supports the sale of U.S. exports worldwide, and will support the financing of the export of any type of goods or services, including commodities, as long as they are not military-related. For more information, please visit www.exim.gov.

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African Development Bank Group
http://www.afdb.org/

Country Limitation Schedule
http://www.exim.gov/tools/country/country_limits.html

Development Bank of Southern Africa
http://www.dbsa.org/

Entrepreneurship Development Unit of the University of the Western Cape
http://www.uwc.ac.za/ems/man/edu.htm

Export-Import Bank of the United States
http://www.exim.gov

Industrial Development Corporation of South Africa, Ltd
http://www.idc.co.za/

OPIC
http://www.opic.gov

SBA's Office of International Trade
http://www.sba.gov/oit/

South African Association of Freight Forwarders
http://www.saaff.org.za/

South African Reserve Bank
http://www.reservebank.co.za/

Southern African Enterprise Development Fund
http://www.saedf.org.za/

The World Bank
http://www.worldbank.org/

Trade and Development Agency
http://www.tda.gov/

USDA Commodity Credit Corporation
http://www.fsa.usda.gov/ccc/default.htm

U.S. Agency for International Development
http://www.usaid.gov

United States Agency for International Development South Africa:
http://www.usaid.gov/locations/sub-saharan_africa/countries/southafrica/

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American Chamber of Commerce South Africa – http://www.amcham.co.za

Attorneys in South Africa – http://www.attorneys.co.za

Exhibition Association of Southern Africa – http://www.exsa.co.za

Internet based South African travel information – http://www.saeverything.co.za, http://www.satravel.co.za/

Statistics South Africa – http://www.statssa.gov.za

South African Department of Trade and Industry – http://www.dti.gov.za

South African Government – http://www.gov.za

South African Internet search engines – http://www.aardvark.co.za, http://www.ananzi.co.za, http://www.google.co.za

Southern African Tourism Services Association – http://www.satsa.co.za

United States Commercial Service in South Africa – http://www.ussatrade.co.za or http://www.buyusa.gov/southafrica/en

United States Consular Services in South Africa - http://pretoria.usembassy.gov/wwwhvisas.html

United States Embassy, Pretoria - http://pretoria.usembassy.gov/

Market Research

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To view market research reports produced by the U.S. Commercial Service please go to the following website: http://www.export.gov/mrktresearch/exp_mr_index.asp and click on Country and Industry Market Reports.

Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required, but free of charge.

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Please click on the links below for information on upcoming trade events.

http://www.export.gov/tradeevents/index.asp

http://www.buyusa.gov/southafrica/en/upcomingevents.html

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Chapter 10: Guide to Our Services

The U.S. Commercial Service offers customized solutions to help your business enter and succeed in markets worldwide. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers

For more information on the services the U.S. Commercial Service offers U.S. businesses, please click on the link below.

http://www.buyusa.gov/southafrica/en/upcomingevents.html

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